

**Magnachip Semiconductor**  
**Prepared Remarks for Q1 2025 Investor Conference Call**

**Steven Pelayo**

Hello everyone. Thank you for joining us to discuss Magnachip's financial results for the first quarter ended March 31, 2025. The first quarter earnings release that was issued today after the market close can be found on the Company's investor relations website. The webcast replay of today's call will be archived on our website shortly afterwards.

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

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

During the call we also will discuss non-GAAP financial measures. The non-GAAP measures are not prepared in accordance with generally accepted accounting principles but are intended as supplemental measures

of Magnachip's operating performance that may be useful to investors. A reconciliation of the non-GAAP financial measures to the most directly comparable GAAP measures can be found in our first quarter earnings release in the investor relations section of our website. With that, I now will turn the call over to YJ Kim. YJ?

## **YJ Kim**

Hello everyone and thank you for joining us today and welcome to Magnachip's Q1 earnings call.

As a reminder, on April 8th we announced that after a thorough review, our Board of Directors unanimously approved a plan to shutdown the Company's Display business by the end of Q2, though we will continue to evaluate opportunities to monetize Display assets.

The Company had previously announced its intention to explore all strategic options for the Display business and to classify the Display business as discontinued operations when it reports Q1 results in order to focus as a pure-play Power semiconductor company. Shinyoung will provide details in her section.

As a result, the Power Analog Solutions and Power IC businesses, which accounted for \$186 million in revenue in 2024, represent Magnachip's going-forward continuing operations. Our strategic pivot to focus exclusively on Power Analog Solutions and Power IC businesses is designed to drive a structural improvement in operational efficiency and position the Company for a return to sustainable profitability.

Navigating an unpredictable macroeconomic landscape will likely pose challenges for our industry. We have a very small amount, less than \$2.5 million, in direct shipment to the US but we are monitoring the tariff situation closely. However, our aim is still to attain a quarterly Adjusted EBITDA\* break-even from continuing operations by the end of this year. We also believe that reaching this goal will pave the way for achieving positive adjusted operating income\* in 2026 and positive adjusted free cash flow\* in 2027. Each of these targets will act as milestones towards achieving a goal in three years to reach a \$300 million annual revenue run-rate with a 30% gross profit margin target. We call this our 3-3-3 strategy.

Turning to Q1 results, consolidated Q1 revenue from continuing operations, which includes Power Analog Solutions and Power IC and excludes our former Display business, was \$44.7 million, up 12.1% year-over-year, and down 8.5% sequentially on an apples-to-apples basis. Consolidated Q1 revenue from continuing operations was in line with the mid-point of our guidance range of \$42 to \$47 million.

Consolidated Q1 gross profit margin from continuing operations of 20.9% was up 3.3 percentage points year-over-year but down 2.3 percentage points sequentially. Consolidated Q1 gross profit margin from continuing operations exceeded the high-end of our guidance range of 18.5% to 20.5%. Shinyoung will provide more details in her section.

Q1 was the fourth consecutive quarter of year-over-year growth from continuing operations driven by Power Analog Solutions growth in Communications and Automotive markets, as well as strength in Power IC.

We released 27 new generation Power Analog Solutions products in Q1 that are fully qualified and ready for commercial sampling. These innovative product families open new high-value market opportunities for Magnachip,

such as automotive, industrial, and A.I. applications. We currently expect these three market opportunities to represent more than 60% of Magnachip's future product mix in 2028, up from 37% in 2024. We already have ongoing engagements to penetrate Automotive markets which we expect to reach over 10% of our revenue by 2028, from less than 5% in 2024.

In Q1, we saw Power Analog Solutions design wins across multiple end markets and regions, including Korea, China, USA, and Taiwan. Many of these design wins were from our new generation products.

As part of our pivot to a pure play on power, we will be sharing additional metrics each quarter such as the number of design wins. We define a design win as receiving a purchase order for a new application.

We achieved 50 design wins in Q1, up 13.6% from the 44 wins achieved in the year ago quarter.

The Industrial business had 25 design wins, up from 22 in Q1 2024 and representing 50% of the total. Other notable design win activity included the Computing business which had eleven design wins in the March quarter, nearly double the six achieved in Q1 2024, and the Automotive business had five design wins, up from two in the year ago period.

From an application perspective:

- our new generation Gen 6 Super Junction products had design wins in the China lighting market, a PC power and computing application in Taiwan, and a TV mainboard application in Korea;
- our new generation low voltage Gen 8 MOSFETs had a design win for a new flagship foldable smartphone in Korea; and,

- our prior generation medium voltage and Super Junction products had design wins in the Industrial market for e-scooters and an Automotive power charger application from Taiwanese suppliers, and an Automotive electric oil pump for vehicles targeted for the European market.
- In Power IC, we secured design wins in Q1 with leading notebook manufacturers in China and Korea, as well as additional wins for LCD TV and monitors in Korea.

We currently plan to launch a total of more than 50 new Power products including 40 new-generation Power Analog Solutions products in 2025 and more than 55 additional new generation products in 2026. We expect these new generation Power products to drive higher revenue and, given the smaller die sizes, yield 20-30% more die per wafer in our Gumi fab. When fully ramped, these new products are expected to drive higher gross margins compared to the previous generations.

**Now I'll provide more details by business line:**

**Power Analog Solutions** business revenue of \$39.9 million, was up 9.1% year-over-year, and down 8.3% quarter-over-quarter. Power Analog Solutions represented nearly 90% of Q1 consolidated revenue from continuing operations. The sequential decline was mostly due to seasonality in each of our major segments, except in Communications where we enjoyed quarter-on-quarter growth. The year-over-year increase was primarily driven by the Communications market and more specifically deeper penetration in smartphone end customer in Korea. While a smaller portion overall, the automotive business showed strong growth and had new design wins in the European and American end customer automotive markets.

By segment,

- **Industrial** revenue declined 8.7% year-over-year and represented approximately one-third of Power Analog Solutions revenue. The decline stemmed from slower e-bike and e-motor revenue, offset by strength from lighting, 5G battery management systems, power tools and solar. As stated earlier, we are securing initial design wins for our new Super Junction Gen 6 products for China lighting and e-motor applications.
- **In Consumer**, revenue increased 4.6% year-over-year. Overall, the Consumer market accounted for 36% of Power Analog Solutions revenue in Q1.
- **Communication** revenue represented 23% of Power Analog Solutions revenue in Q1 and increased nearly 64% year-over-year fueled by design wins for BatteryFET in mainstream and flagship foldable and A.I.-enabled smartphones in Korea. In addition, we saw expanded adoption in wearables such as watches and earbuds. As we mentioned before, we believe we now have number one market share in BatteryFETs at our major Korean smartphone end-customer, including the majority share of their flagship smartphone product lines which will soon utilize our new generation Gen 8 products. Overall, our low voltage MOSFET revenue grew more than 40% year-on-year in Q1.
- Representing 7% of Power Analog Solutions revenue, the **Computing** segment saw a 10% year-over-year decline in Q1 due to softer pricing and weaker demand from China for PC and laptop power adapters. We are leveraging our new Super Junction Gen 6 products to penetrate more of the PC power market in Taiwan and expect to benefit from a new notebook adapter design win moving into mass production in Q2 2025.

- While still less than 5% of Power Analog Solutions revenue, the **Automotive** segment saw strong year-over-year growth driven by increased global expansion beyond Korea and Japan with new design wins for vehicles targeted in Europe and the USA. The number of automotive applications continues to increase and now includes electric oil pumps, cooling fans, power steering, and car chargers. We also are seeing strength for IGBTs from China brands used for Positive Temperature Coefficient or PTC heaters for EVs.

Turning to our **Power IC business**, revenue was \$4.9 million, an increase of 44.1% year-over-year and down 10.0% sequentially. The Power IC business represented 11% of consolidated Q1 revenue from continuing operations. The year-over-year growth was strong for both TV-LED and OLED power ICs. The introduction of 20 new mid-to-low-end TV models by our customer for 2025 also led to strong sequential growth in TV-LED in Q1.

In summary, Q1 was Magnachip's fourth consecutive quarter of year-on-year growth from continuing operations, which we expect to continue for a fifth consecutive quarter in Q2. We expect inventory levels in the channel to slightly decrease in Q2. The strong performance in Power Analog Solutions in Q1 was driven primarily by market share gains and new products in Communications. The Automotive market also performed well in Q1 given new design wins for vehicles targeted in Europe and the USA and continually broadening applications.

Now I'll turn the call over to Shinyoung to give you more details of our financial performance in the first quarter and provide Q2 and full-year 2025 guidance. Shinyoung?

## **Shinyoung Park:**

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

Total Q1 consolidated revenue from continuing operations (which includes Power Analog Solutions (PAS) and Power IC (PIC)) was \$44.7 million, which was in line with the mid-point of our guidance range of \$42 to \$47 million. This was up 12.1% year-over-year, and down 8.5% sequentially on an apples-to-apples basis. This compared with equivalent revenue of \$39.9 million in Q1 2024 and \$48.9 million in Q4 2024.

- Revenue from Power Analog Solutions was \$39.9 million. This was up 9.1% year-over-year, and down 8.3% sequentially, primarily reflecting seasonality.
- Revenue from Power IC was \$4.9 million. This was up 44.1% year-over-year and down 10.0% sequentially.

In Q1, consolidated gross profit margin from continuing operations was 20.9%, exceeding the high-end of our guidance range of 18.5% to 20.5%, up from 17.6% year-over-year, and down from 23.2% sequentially on an apples-to-apples basis. The upside versus guidance and year-over-year improvement was mostly due to the stronger-than-expected US dollar against the Korean Won. The sequential decline was mainly due to an unfavorable product mix.

As we've disclosed previously, the Company announced its plan to shut down the Display business by the end of the second quarter of 2025. Shutting down the Display business includes the liquidation of Magnachip Mixed-Signal, Ltd. ("MMS"), the Company's wholly owned subsidiary that had operated the discontinued Display business. As a result, the Display business has been classified as discontinued operations from Q1 2025 and

has reported separately on the face of the Company's P&L. The prior periods conform to the current period presentation as it appears in our Form 8-K and in the Form 10-Q in Q1.

All the following figures reflect results from continuing operations.

- Q1 SG&A was \$9.7 million, as compared to equivalent SG&A of \$9.5 million in Q1 2024 and \$10.4 million in Q4 2024.
- Q1 R&D was \$5.9 million, as compared to equivalent R&D of \$6.2 million in Q1 2024 and \$6.9 million in Q4 2024.

Stock compensation charges included in operating expenses from continuing operations were \$0.8 million in Q1, as compared to \$0.8 million in Q1 2024 and \$1.6 million in Q4 last year. These charges fluctuate every quarter depending on the timing and size of stock award grants.

In Q1, we have narrowed operating losses due to a combination of higher revenue and improved gross profit margins as compared with Q1 2024.

Q1 operating loss was \$6.3 million. This compares to an equivalent operating loss of \$9.4 million in Q1 2024 and an equivalent operating loss of \$7.8 million in Q4 2024.

On a non-GAAP basis, the Q1 adjusted operating loss was \$5.4 million, compared to an equivalent adjusted operating loss of \$8.6 million in Q1 2024 and an equivalent adjusted operating loss of \$4.5 million in Q4 last year.

Loss in Q1 was \$5.1 million as compared with an equivalent loss of \$14.3 million in Q1 2024 and an equivalent loss of \$8.7 million in Q4 last year.

Q1 Adjusted EBITDA was negative \$2.1 million. This compares to an equivalent Adjusted EBITDA of negative \$4.8 million in Q1 2024 and negative \$0.5 million in Q4 last year.

Q1 GAAP diluted loss per share was 14 cents, as compared with equivalent diluted loss per share of 37 cents in Q1 2024 and equivalent diluted loss per share of 24 cents in Q4 last year.

Q1 non-GAAP diluted loss per share was 10 cents. This compares with equivalent non-GAAP diluted loss per share of 26 cents in Q1 2024 and equivalent non-GAAP diluted earnings per share of 12 cents in Q4 last year.

Our weighted average non-GAAP diluted shares outstanding for the quarter were 36.9 million shares and 38.5 million shares in Q1 2024 and 37.7 million shares in Q4 last year. Under our \$50 million stock buyback program authorized in July 2023, we repurchased in Q1 2025, approximately 0.3 million shares for an aggregate purchase price of \$1.1 million, leaving about \$23.5 million remaining authorization as of March 31, 2025. Additionally, we spent \$1.9 million in April 2025 and repurchased approximately 0.6 million shares.

### **Moving to the balance sheet:**

We ended Q1 with cash of \$132.7 million and \$138.6 million at the end of Q4 2024.

Net accounts receivable at the end of the quarter totaled \$28.3 million and \$28.4 million at the end of Q4 2024. Our days sales outstanding for Q1 was 47 days and compares to 41 days in Q4 last year.

Our average days in inventory for Q1 was 70 days and compares to 60 days in Q4 last year. Inventories, net at the end of the quarter totaled \$32.6 million, and \$30.5 million at the end of Q4 2024.

Q1 CAPEX was \$0.2 million. For the full year 2025, we reiterate our prior total CAPEX forecast range of \$26 – 28 million, which includes approximately \$14 – 15 million to upgrade the Gumi fab. We expect the majority of this capex to occur in the second quarter. This \$14 – 15 million was part of the previously disclosed \$65 –70 million investment over three years to upgrade the Gumi fab. The depreciation cost from the new investments in the Gumi facility won't begin to be reflected in our financial statements until 2027. At that time, we anticipate that a more robust portfolio of new generation power products will at least partially offset the impact.

Additionally, we announced previously that we secured the \$26.5 million equipment financing to partially support this \$65 – 70 million investment to upgrade the Gumi fab. Under the agreed terms and conditions with the lender bank, we expect to fund about a half of the \$14 – 15 million using this equipment financing, majority of which will occur in the second quarter of 2025. And the remaining half is expected to be funded by the Company's cash. This new investment in Gumi is expected to drive development of the new generation power product portfolio and upgrade new tools to optimize product mix, and improve gross profit margin.

Lastly, as YJ mentioned above, as a result of the strategy changes we are making, we aim to attain a quarterly Adjusted EBITDA break-even from continuing operations by the end of this year.

The actions that are being undertaken by the Company in connection with the liquidation process are expected to result in a 30% to 35% reduction in

annualized operating expenses (excluding equity compensation charges) as compared with 2024. We will execute all available cost reduction initiatives to align our spending level with a strategy to become a pure-play power company while enabling us to continue to make progress towards our 3-3-3 Strategy.

Now let me provide finance-related comments regarding the discontinued Display business. The Company is expected to provide limited support for remaining customer obligations including the sale of “end of life (EOL)” Display products, which will be conducted by Magnachip Semiconductor, Ltd., the Company’s wholly owned subsidiary that operates the Power business.

- The sale of EOL Display products and the potential monetization of the intellectual property assets of the discontinued Display business are currently expected to generate cash inflow of approximately \$15 million to \$20 million over a period of approximately 2 years after completion of the liquidation, depending upon the demand of customers and the outcome of the monetization efforts of the Display intellectual property assets.
- The total estimated **cash** cost of the liquidation is approximately \$12 to \$15 million, which is expected to be offset by the cash inflow that we will generate as described before. The one-time liquidation cost is expected to consist of statutory severance and other employee-related costs, contract termination charges and other associated costs. Of this estimated total cash cost, approximately \$4.5 million represents the net statutory severance, required by law, which had already been fully accrued in the Company’s prior period financial statements. The Company expects to recognize substantially all of

these charges, excluding the already fully-accrued net statutory severance of \$4.5 million, in the quarter ending June 30, 2025.

**Now moving to our second quarter and full-year 2025 guidance:**

While actual results may vary, for Q2 2025, Magnachip currently expects:

- Consolidated revenue from continuing operations (which includes Power Analog Solutions and Power IC businesses) to be in the range of \$45 to \$49 million, up 5.2% sequentially and up 6.6% year-over-year at the mid-point on an equivalent basis. This compares with equivalent revenue of \$44.7 million in Q1 2025 and \$44.1 million in Q2 2024.
- Consolidated gross profit margin from continuing operations to be in the range of 19.5% to 21.5%. This compares with equivalent gross profit margin of 20.9% in Q1 2025 and 22.5% in Q2 2024.

**For the full-year 2025, we currently reiterate:**

- Consolidated revenue from continuing operations to grow mid-to-high single digit year-over-year as compared with equivalent revenue of \$185.8 million in 2024.
- Consolidated gross profit margin from continuing operations between 19.5% to 21.5%, reflecting the fact that we have completed the wind down of Transitional Foundry services and new generation power products will just begin production in the second half 2025. The equivalent gross profit margin was 21.5% in 2024.

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

## **YJ Kim**

We believe we hit the revenue bottom in Q1 for Power for this year. Looking to Q2, we currently forecast mid-single digit sequential growth leading to another quarter of mid- single digit year-over-year growth from continuing operations. We currently expect the Industrial and Computing markets to be relatively strong driven by lighting and battery management system applications in Industrial, as well as strength in PC power from Taiwan in the Computing market. The Communication segment will likely decline quarter-on-quarter, due to exceptionally strong performance in the last two quarters, but is currently expected to show strong year-over-year growth in excess of 30%.

To wrap up, the pure-play Power strategy we announced last quarter focuses on shareholder value and prioritizes a return to profitability, supported by clearly articulated and transparent short-and-medium term financial targets.

As previously mentioned, uncertainty over the macroeconomic headwinds will likely pose challenges for our industry over the coming quarters. Our strategic pivot to focus exclusively on Power Analog Solutions and Power IC businesses is designed to drive both top line growth through new product launches, as well as a long-term structural improvement in operational efficiency - allowing us to achieve our target of a \$300M revenue run rate, 30% gross margin, in three years.

Now I will turn the call back to Steven. Steven?

## **Steven Pelayo:**

That concludes our prepared remarks. Now let's open the call for any questions that you may have. Operator, please go ahead.

## **Steven Pelayo – Final Reminders**

Thank you! Before we conclude, I just want to give everyone a quick reminder on our upcoming investor conferences.

On June 25th-26th, we will present at the 15th Annual ROTH London Conference at the Four Seasons Park Lane, London.

Attendance at the conference is by invitation-only. For interested investors, please contact your respective sales representative to register and schedule one-on-one meetings with the management team.

Please look for details of our future events on Magnachip's Investor Relations website. This concludes our Q1 earnings conference call.

Thank you and take care.