# Magnachip Semiconductor
# Prepared Remarks for Q4 2025 Investor Conference Call

**Mike Bishop**

Thank you. Hello everyone. Thank you for joining us to discuss Magnachip's financial results for the fourth quarter and year end, December 31, 2025. The fourth quarter earnings release that was issued today after the market closed can be found on the company's Investor Relations website. The webcast replay of today's call will be archived on our website shortly afterwards.

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

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

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

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

**Camillo Martino:**

Thank you, Mike, and good afternoon, everyone.

I would like to open with a comment I made last quarter... Magnachip has a strong foundation: a long history in power, a reputation for reliability and quality, and relationships with customers who care about performance and execution. Looking back at 2025, we have implemented many changes to lay the foundation to improve the financial and go-to-market fundamentals which we believe will result in a positive and consistent recovery over time.

We are investing responsibly in areas where we see great potential, while staying disciplined and realistic about what it takes to turn a power semiconductor business around.

I would like to look back on Q4 and 2025 highlighting what we have completed and we will provide more detail on our go-forward operating strategy.

First, a quick view of the quarter:

For Q4, revenue was $40.6 million, and gross margin was 9.3%.

For the full year, revenue was $178.9 million and gross margins were 17.6%.

Consistent with our comments from our last earnings call, our results continue to reflect three realities:

- Pricing pressure on legacy products remains intense, especially in China.
- Factory loading and utilization was a headwind.
- We need highly competitive products to win. Where we do have competitive products, we can absolutely win. That's the core point behind our product strategy.

Shinyoung will walk through the financial details and guidance later.

Moving to the important changes we have made during 2025.

Over the past year, and especially over the past several months, we have taken 3 meaningful actions:

1) Firstly, we significantly reduced our cost structure. We exited the Display business, and we resized the organization accordingly. We also executed workforce actions and cost programs to reduce OpEx and to focus the company exclusively on the Power business

2) Secondly, we reorganized and focused our Sales and Marketing teams on specific market segments and customers. This is important because winning in power semis is not "one-size-fits-all." It is segment-by-segment and customer-by-customer.

3) Thirdly, we increased our investment in R&D to significantly improve our mid to longer-term product competitiveness. In 2025, we launched 55 new-generation products - versus a total of four for the entire 2024 year. This is a massive acceleration by our engineering team and reflects targeted investment for longer-term growth. These New Generation products are designed to improve our competitiveness and improve our product margin structure over time.

Those 3 definitive changes have already been made.

With respect to our go-forward operating strategy, I would now like to highlight 6 foundational pillars that we believe are fundamental to the successful recovery and longer-term profitable growth in our Power business.

1. **Focused Market Segments.** We are investing in the priority end markets where we believe we can earn better margins, and build durable customer positions. The markets are the following:
   - Automotive
   - Industrial/Motor Control
   - Solar and energy-related applications

- Server / data infrastructure
- And in the future, we expect to be delivering advanced Power solutions to the Robotics market

We are not going to chase every end market. We are going to concentrate on segments where our technology roadmap and proximity to significant and strategically important customers can translate into sustainable share and better economics.

2. **Product Competitiveness.** At the heart of our turnaround strategy is product competitiveness.

   We are continuing to accelerate our product development activities. Our plan is to deliver more than 50 new-generation products in 2026... this is in addition to the 55 new-generation products launched in 2025. This compares to a total of only 4 New Generation products launched in 2024 and none in 2023. Again, this is the result of a targeted investment with the specific aim to increase revenue, utilization, and product margins over time. These products are designed to be meaningfully better—not incremental.

3. **PowerIC.** As we expand our focus on certain Market Segments, we will begin to develop key systems expertise that will align PowerICs and Gate Driver ICs with our future power product roadmap and will augment Magnachip's revenue generation potential.

4. **Modules.** We are also expanding how we go to market with customers through a module strategy.
   A module allows us to combine multiple dies—sometimes our own, sometimes third-party—into a packaged solution that should increase our product content per application. Our aim is to increase sales efficiency, drive higher revenue at better target margins, in markets where customers want integration and where the economics support it.

5. **Technology Roadmap.** To continue to support and offer greater value to our key customers, we are actively evaluating offering silicon carbide product solutions to them . Our entry into the Silicon Carbide market will be thoughtful and deliberately targeting markets where we have long term revenue visibility and in which return on invested capital and payback are demonstrably attractive. We believe our reputation and geographical location should enable us to access such attractive markets segments.

6. **Strategic Partnerships.** Our position as a trusted power semiconductor company in Korea places us in a strong position to establish mutually beneficial relationships with key customers and technology partners who value our local access, security of supply, expertise, and reputation. Building stronger and deeper customer relationships in our focused market segments is critical, and we believe having multiple anchor customers that adopt a broad range of our products will be highly beneficial and a testament to our value

proposition. Likewise, partnerships with technology leaders who recognize our value as a trusted partner in a strategically important market will accelerate our product roadmaps while expanding our market reach in a capital efficient manner. We believe developing these close relationships with anchor customers and technology partners will provide a foundation for significant value creation over time.

We believe the strategic customer relationships we are developing, the focused market segments we are pursuing, and the advanced technologies we are developing, including Silicon Carbide, will significantly expand Magnachip's TAM. Selling Modules and higher value-added PowerIC's will further expand our TAM to approximately double over the next five years.

We are building a more balanced, resilient business — one where customer relationships support investment decisions and value creation over a multi-year horizon.

Now, let me address some recent board level activities. We recently announced that Cristiano Amoruso, Chief Investment Officer of Byreforge, has joined the board as a director. His firm became a significant shareholder in Magnachip because it believes in Magnachip's ability to create significant long-term value for its customers, shareholders, and employees.

The board also believes the company is significantly undervalued relative to its long-term value creation potential, and believes that focused execution and the strategic realignments we are implementing — product competitiveness, market focus, technology roadmap, and customer/technology partnerships — can return the company to growth and create significant long-term shareholder value.

In line with its fiduciary duties, the board will responsibly and carefully evaluate any actionable opportunities that can accelerate and derisk shareholder value creation, and compare it with all other options available to the Company.

Looking forward, allow me to set expectations clearly.

This turnaround will take time. We believe that great products, and great customer partnerships will turn Magnachip around. At the same time, and as we discussed previously, new-generation products take time to qualify, ramp, and contribute meaningful revenue. In 2026, we still expect legacy products to represent the vast majority of revenue, and pricing pressure affecting these products to continue. We expect new-generation products to comprise approximately 10% of revenue for the fourth quarter 2026, up from 2% for the full year of 2025.

So, 2026 will remain a challenging period—especially for gross margin—as we transition the portfolio and scale new-generation products. We believe we are taking the right corrective actions to improve our competitive position and create a path to meaningful value creation.

We will continue to be transparent, prioritize cash discipline, and execute the product roadmap with urgency.

With that, I'll turn the call over to Shinyoung to walk through the quarter's financial results and our outlook.

**Shinyoung Park:**

Thank you, Camillo, and welcome everyone on the call. Let's start with key financial metrics for Q4 and full year 2025.

Total Q4 consolidated revenue from continuing operations (which includes Power Analog Solutions (PAS) and Power IC) was $40.6 million, approximately at the mid-point of our guidance range of $38.5 to $42.5 million. This was down 17.0% year-over-year, and down 11.7% sequentially on an apples-to-apples basis. This compared with equivalent revenue of $48.9 million in Q4 2024 and $45.9 million in Q3 2025.

For the full year 2025, total consolidated revenue from continuing operations was $178.9 million, compared with $185.8 million in 2024, representing a 3.7% year-over-year decline. This result was consistent with our prior guidance, which anticipated an approximately 3.8% year-over-year decrease.

- Revenue from Power Analog Solutions in Q4 was $36.8 million, down 15.3% year-over-year, and down 11.4% sequentially, primarily due to competitive pricing pressure on our older generation products, which was especially intense in China. The $2.7 million one-time sales incentive was recognized as a reduction in revenue in Q4 2025 as part of our effort to reduce elevated inventory levels in the channel, primarily in China. For the full year 2025, revenue from Power Analog Solutions was $160.5 million, compared with $166.8M in 2024. This 3.8% year-over-year decline was primarily due to intensified pricing pressure on our older generation products, partially offset by revenue growth in Low Voltage MOSFET attributable to market share gains.
- Revenue from Power IC in Q4 was $3.8 million. This was down 30.4% year-over-year and down 14.5% sequentially. The sequential decline was due mainly to customer order pull-ins in Q3 from Q4. Revenue from Power IC for the full year 2025 was $18.4 million, down 3.4% year-over-year, compared with $19.0 million in 2024.

In Q4, consolidated gross profit margin from continuing operations was 9.3%, within the guidance range of 8% to 10%, compared with 23.2% in Q4 2024, and 18.6% in Q3 2025 on an apples-to-apples basis. The previously mentioned one-time sales incentive had a 560-basis-point negative impact on gross profit margin. The year-over-year and sequential decline was primarily attributable to an unfavorable product mix, driven mainly by ASP erosion, particularly in China, and filling our fab with lower margin products, and a lower utilization rate.

For the full year 2025, consolidated gross profit margin from continuing operations was 17.6%, within our annual guidance range of 17% to 18%, compared with 21.5% in 2024. The year-over-year change was primarily driven by continued pricing pressure, lower-margin products loaded in our fab, and a lower fab utilization rate.

The Company's Display business has been classified as a discontinued operation in 2025. Accordingly, all of the following figures reflect results from continuing operations, and prior periods have been recast on a comparable basis.

- Q4 SG&A was $8.6 million, compared with equivalent SG&A of $9.8 million in Q4 2024 and $8.3 million in Q3 2025. We expect to see annual OPEX savings of more than $2 million beginning in Q4 2025 from our cost reduction efforts, including the execution of the voluntary resignation program primarily for shared function employees in Q3. Stock-based compensation charges included in SG&A were $0.4 million in Q4, as compared with $1.6 million in Q4 2024 and negative $28 thousand in Q3 2025. Both in Q3 and Q4, we recorded adjustments to stock-based compensation expense related to the separation of certain executives and the associated forfeiture of their equity grants. For the full year 2025, SG&A was $35.1 million, compared with $38.1 million in 2024. Stock-based compensation charges included in SG&A were $1.9 million in 2025 and $4.8 million in 2024.

  Q4 R&D was $7.6 million, compared with equivalent R&D of $6.6 million in Q4 2024 and $7.8 million in Q3 2025. R&D in Q4 increased year-over-year due to the acceleration of new product development. We introduced 55 new generation products in 2025, of which 44% were introduced in Q4. This compares to 4 in all of 2024. For the full year 2025, R&D was $27.3 million, compared to $25.0 million in the prior year.

Before I go into the details of our non-GAAP results, please note that our GAAP financial results are available in our Form 8-K filing with our fourth quarter earnings release.

Our non-GAAP results are as follows:

- Q4 Adjusted Operating Loss was $11.9 million, compared with an equivalent Adjusted Operating Loss of $3.5 million in Q4 2024 and Adjusted Operating Loss of $7.4 million in

Q3 2025. Q4 Adjusted EBITDA was negative $8.9 million, compared with an equivalent Adjusted EBITDA of $0.3 million in Q4 2024 and negative $4.0 million in Q3 2025.

- For the full year 2025, Adjusted Operating Loss was $28.5 million, compared with an equivalent Adjusted Operating Loss of $19.1 million in 2024. Adjusted EBITDA in 2025 was negative $15.6 million, compared with an equivalent Adjusted EBITDA of negative $4.2 million in 2024.
- Adjusted Operating Loss and Adjusted EBITDA deteriorated year-over-year primarily due to lower gross profit, and higher R&D expenses, as explained above.

Q4 non-GAAP diluted loss per share was eight cents, compared with equivalent non-GAAP diluted earnings per share of 15 cents in Q4 2024 and non-GAAP diluted loss per share of one cent in Q3 2025. Our weighted average non-GAAP diluted shares outstanding for the quarter were 36 million, 37.7 million in Q4 2024, and 35.9 million shares in Q3 2025.

For the full year 2025, non-GAAP diluted loss per share was 22 cents, compared with 22 cents in 2024. Weighted average non-GAAP diluted shares outstanding for 2025 were 36.2 million shares, compared with 37.8 million in 2024.

**<u>Moving to the balance sheet:</u>**

Previously, we had expected our cash balance at the end of 2025 to be in the mid-$90 million range. However, we ended Q4 with cash of $103.8 million and this compared with $138.6 million at the end of Q4 2024.

The main cash outflow during 2025 included $13.0 million in **<u>net</u>** cash CAPEX, $4.0 million related to package costs and statutory severance associated with the voluntary resignation program executed in Q3, and $3.6 million spent on share repurchases primarily in the first half of 2025. The remaining gap was primarily attributable to net cash loss from operations.

At the end of Q4, our long-term borrowings totaled $44.6 million, which included $16.7 million of the equipment loan.

Including maintenance CAPEX, our **<u>total</u>** CAPEX for the full year 2025 was $30.0 million; however, the net cash impact was $13.0 million due to partial funding through the equipment loan.

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

While actual results may vary, for Q1 2026, Magnachip currently expects:

- Consolidated revenue from continuing operations (which includes Power Analog Solutions and Power IC businesses) to be in the range of $44.0 to $48.0 million, up 13.4% sequentially and up 2.9% year-over-year at the mid-point. This compares with $40.6 million in Q4 2025 and $44.7 million in Q1 2025.
- Consolidated gross profit margin from continuing operations to be in the range of 14% to 16%, up from 9.3% in Q4 2025 but down from 20.9% in Q1 2025.

Finally, I'd like to add that on a reported basis, and excluding stock-based compensation and one-time charges, total operating expenses – SG&A and R&D together – decreased by 35% in 2025 compared with 2024. Also, as a result of our cost reduction efforts, we expect more than $2 million of annualized SG&A savings that started in the fourth quarter of 2025. On the other hand, to support the go-forward operating strategy Camillo discussed earlier, we plan to increase our investment in R&D in 2026.

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

**Camillo Martino:**

Thank you, Shinyoung.

We are committed to executing on the six foundational pillars we emphasized earlier.

We have implemented a new go-forward strategy and many of the necessary changes to position Magnachip for future success and value creation.

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

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

Operator?

**Mike Bishop:**

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