Magnachip

Magnachip Semiconductor (NYSE: MX)

34th Annual Roth Conference

March 14, 2022

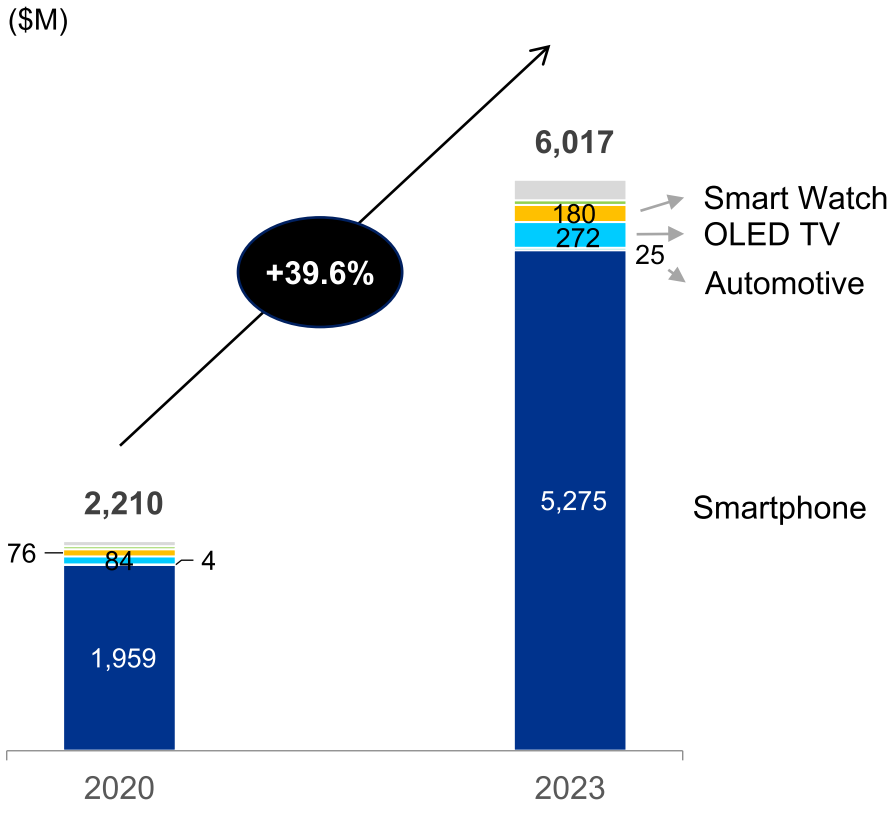
Forward-Looking Statements

Information in this presentation regarding Magnachip's forecasts, business outlook, expectations and beliefs are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. All forward-looking statements included or incorporated by reference in this presentation, including expectations about estimated historical or future operating results and financial performance, business strategies, outlook and plans, including first quarter 2022 revenue and gross profit margin expectations, future growth and revenue opportunities from new and existing products and customers, the impact of the COVID-19 pandemic or the emergence of various variants of the virus, escalated trade tensions and supply constraints on Magnachip's first quarter 2022 and future operating results, and the timing and extent of future revenue contributions by our products and businesses, are based upon information available to Magnachip as of the date of this presentation and the accompanying press release, which may change, and we assume no obligation to update any such forward-looking statements. These statements are not guarantees of future performance, and actual results could differ materially from our current expectations. Factors that could cause or contribute to such differences include, among others: the impact of changes in macroeconomic and/or general economic conditions, including those caused by or related to the COVID-19 pandemic or the emergence of various variants of the virus, other outbreaks of disease, the Russia-Ukraine crisis, recessions, economic instability or civil unrest; manufacturing capacity constraints or supply chain disruptions that may impact our ability to deliver our products or affect the price of components, which may lead to an increase in our costs, as well as impacting demand for our products from customers who are similarly affected by such capacity constraints or disruptions; the impact of competitive products and pricing; timely design acceptance by our customers; timely introduction of new products and technologies; ability to ramp new products into volume production; industry wide shifts in supply and demand for semiconductor products; industry and/or company overcapacity or supply constraints; effective and cost efficient utilization of manufacturing capacity; financial stability in foreign markets and the impact of foreign exchange rates; unanticipated costs and expenses or the inability to identify expenses which can be eliminated; compliance with U.S. and international trade and export laws and regulations by us, our customers and our distributors, including those related to the Russia-Ukraine crisis; change or ratification of local or international laws and regulations, including those related to environment, health and safety; public health issues, including the COVID-19 pandemic or the emergence of various variants of the virus; other business interruptions that could disrupt supply or delivery of, or demand for, Magnachip's products, including uncertainties regarding the impacts of the COVID-19 pandemic or the emergence of various variants of the virus that may result in factory closures, reduced workforces, scarcity of raw materials and goods produced in infected areas, as well as reduced consumer and business spending affecting demand for Magnachip's products due to government and private sector mandatory business closures, travel restrictions or the like to prevent the spread of disease; and other risks detailed from time to time in Magnachip's filings with the U.S. Securities and Exchange Commission (the "SEC"), including our Form 10-K filed on February 23, 2022 (including that the impact of the COVID-19 pandemic or the emergence of various variants of the virus, trade tensions and supply constraints may also exacerbate the risks discussed therein), and subsequent registration statements, amendments or other reports that we may file from time to time with the SEC and/or make available on our website. Magnachip assumes no obligation and does not intend to update the forward-looking statements provided, whether as a result of new information, future events or otherwise.

This presentation also includes references to certain non-GAAP financial measures. Management believes that non-GAAP financial measures, when viewed in conjunction with GAAP results, can provide a meaningful understanding of the factors and trends affecting Magnachip's business and operations and assist in evaluating our core operating performance. However, such non-GAAP financial measures may have limitations and should not be considered as a substitute for net income or as a better indicator of our operating performance than measures that are presented in accordance with GAAP. Reconciliation of GAAP results to non-GAAP results is also included in this presentation.

Display Market Trends

OLED DDIC SAM



(Source: OMDIA, Jan.'22)

Market Update

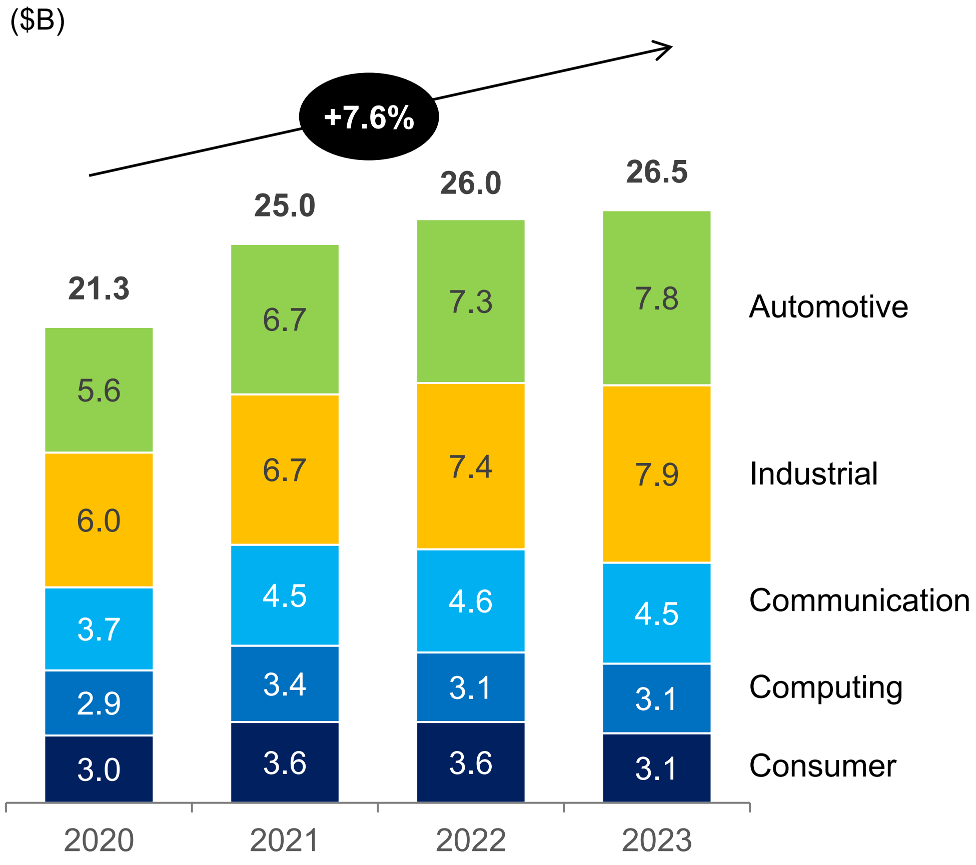
- Severe wafer supply shortage is expected to continue through 2022 and set to last till 2023 for certain chips.
- Wafer supply constraints led to an increase in DDIC ASP
- OLED penetration is expected to have increased from 32% in 2020 to 37% in 2021.

Core Competencies

- Pioneered 28nm OLED drivers with best power consumption and size in industry
- Favorable market trends: 5G, OLED TV, OLED automotive & emerging new technologies
- Strategic alignment with top-tier panel makers in the world

Power Semiconductor Market Trends

Power Semiconductor SAM



(Source: OMDIA, Dec.'21)

Market Update

- Power Semiconductor TAM
  - $45.9B ('20) → $60.2B ('23), CAGR ('20~'23): 9.5%
- Power Semiconductor SAM
  - PMIC and other IC ($14.2B in '23)
  - Power MOSFET and discrete IGBT ($11.5B in '23)
  - IGBT chips for Power module ($704M in '23)

Core Competencies

- Go-to-market strategy for China market generating great momentum
- Introduction of next generation power discrete product portfolios in 2022
- Additional 40% Power capacity expansion in Fab 3 by end of 2022
- Automotive qualification progressing in line with end customer's request

Q4 and Year 2021 Highlights

Revenue	Fourth quarter revenue of $110.3 million was down 13.1% sequentially and down 22.8% year-over-year (YoY) due mainly to the severe supply shortage especially for 28nm 12" OLED wafers.
	Full-year revenue of $474.2 million decreased 6.5% YoY due primarily to the revenue decrease in our OLED business, resulting from the supply shortage, offset in part by strong growth in our Power business.
Gross Profit Margin	GAAP Gross profit margin for the fourth quarter was 35.0%, down 170 bps sequentially and up 810 bps YoY.
	Full-year GAAP gross profit margin of 32.4% was an increase of 710 bps YoY due mainly to improved product mix, increased average selling price, and a higher utilization rate.
EPS	GAAP diluted earnings per share (EPS) for the fourth quarter was $1.12; Full-year GAAP diluted EPS was $1.21.
	Non-GAAP diluted EPS for the fourth quarter was $0.31; Full-year non-GAAP diluted EPS was $1.09.

Q4 and 2021 Report by Business Line

Display Solutions

	Q4 2021	Q3 2021	Q/Q Change	Q4 2020	Y/Y Change	2021	2020	Y/Y change
Revenue	$41.3 M	$58.5 M	down 29.4%	$82.7 M	down 50.1%	$205.3 M	$299.1 M	down 31.3%
OLED	$37.7 M	$55.3 M	down 31.8%	$80.4 M	down 53.1%	$192.8 M	$284.6 M	down 32.3%

- Demand and signals from our customers remained strong; however, severe supply constraints, especially for 28nm 12” wafers, continued to significantly limit our OLED revenue potential.
- Case in point, the revenue from 28nm products grew 80% to $174 million in 2021 from $97 million in 2020, representing 90% of total OLED revenue in 2021 compared to 34% in 2020.
- Some critical milestones we achieved in 2021 include:
  - Successfully broadened our customer base to include a top-tier panel maker outside Korea
  - Enhanced our supply chain for additional 28nm manufacturing capacity which is expected to come online in the later part of 2022
  - Penetrated new applications such as OLED TV and OLED Automotive

Power Solutions

	Q4 2021	Q3 2021	Q/Q Change	Q4 2020	Y/Y change	2021	2020	Y/Y change
Revenue	$58.2 M	$58.9 M	down 1.1%	$46.9 M	up 24.2%	$227.8 M	$166.5 M	up 36.8%

- Solid demand across most product families, coupled with increased internal capacity resulting from our timely investment in Fab 3, led to strong Q4 and 2021.
- Premium Power products are demonstrating exciting momentum, and new product introduction is accelerating.
- We are approaching our target capacity at Fab 3 ahead of our plan, and we will invest about $8 million of special Capex to further improve Fab 3 capacity in 2022 to address continuously increasing demand.

Q4 and 2021 Key Financials

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

Profitability	Profitability	Q4 2021	Q3 2021	Q4 2020	2021	2020
Profitability	Adjusted Operating Income	$14.4	$22.7	$15.4	$56.1	$41.6
	Adjusted EBITDA	$18.1	$26.4	$18.6	$70.7	$52.9
	Adjusted Net Income	$14.6	$20.1	$17.3	$51.1	$28.3
	Adjusted Earnings per Common Share - Diluted	$0.31	$0.42	$0.40	$1.09	$0.73

Balance Sheets	Balance Sheets	Q4 2021	Q3 2021	Q4 2020
Balance Sheets	Cash and cash equivalents	$279.5	$276.3	$279.9
	Days Sales Outstanding (DSO)	42 days	38 days	41 days
	Days in Inventory	50 days	44 days	34 days
	Borrowings, net	—	—	$83.5
	Total Stockholders’ Equity	$452.8	$433.3	$345.6

2020-2023 Plan Targets

	Key Metrics	Updated Plan as of January 6, 2022
2020-2023 Targets	Revenue	• Despite the sequential revenue decline in 2021 caused by the severe global capacity shortage, we are committed to a double-digit CAGR growth for 2020-2023(*)
	Gross Profit Margin	• Already achieved above 30% • We will strive to consistently maintain above 30%
	Adjusted Operating Margin	• Exceeded 10% for full year 2021 • We expect it to go up to mid-teens when we exit 2023
	Tax Rate	• 22-24%(**)
	Free Cash Flow(***)	• Exceed 10% of revenue when we exit 2023

(*) 2022 and 2023 revenue growth expectations assume continued supply constraints.
(**) Based on the Company's current organizational/business structure and tax strategies considering the effective tax laws.
(***) Free cash flow is calculated by subtracting capital expenditures from operating cash flow.

Cash Allocation Plan

Cash use philosophy

- ✓ *Reinvesting in organic growth*
- ✓ *Funding potential inorganic growth opportunities*
- ✓ *Returning capital to shareholders*

Near-term cash use plan

- Given the current business conditions, our near-term cash use is focused on three areas:
  - We target to maintain $100 million+ cash on the balance sheet.
  - We are committed to shareholder return. In December 2021, our board authorized a $75 million stock repurchase plan, of which the repurchase of $37.5 million of common stock was competed as of March 10, 2022
  - The remainder of cash will be allocated for flexible optionality.
    - At the present time, we believe that supply is the fundamental limiter of our potential growth. Therefore, enhancing our supply chain is deemed one of the imminent capital allocation options.
    - Possible options include securing additional 28nm manufacturing capacity and locking in multi-year long term supply agreements, which typically require strong commitment from us and our customers including prepayments.
    - We are also expanding additional manufacturing capacity at Fab 3 for our Power business to address continuously increasing demand.

Q4 and 2021 Financial Highlights

(In thousands of U.S. dollars, except share data)	GAAP Q4 2021	GAAP Q3 2021	GAAP Q/Q change		GAAP Q4 2020	GAAP Y/Y change		GAAP 2021	GAAP 2020	GAAP Y/Y Change	
Revenues											
Standard Products Business											
Display Solutions	41,298	58,528	down	29.4%	82,705	down	50.1%	205,322	299,057	down	31.3%
Power Solutions	58,212	58,887	down	1.1%	46,861	up	24.2%	227,777	166,462	up	36.8%
Transitional Fab 3 foundry services (1)	10,825	9,585	up	12.9%	13,379	down	19.1%	41,131	41,540	down	1.0%
Gross Profit Margin	35.0%	36.7%	down	1.7% pts	26.9%	up	8.1% pts	32.4%	25.3%	up	7.1% pts
Operating Income(2)	63,870	20,001	up	219.3%	9,206	up	593.8%	83,407	27,016	up	208.7%
Net Income(3)	53,611	10,768	up	397.9%	66,581	down	19.5%	56,708	344,965	down	83.6%
Basic Earnings per Common Share	1.16	0.23	up	404.3%	1.87	down	38.0%	1.26	9.80	down	87.1%
Diluted Earnings per Common Share	1.12	0.23	up	387.0%	1.45	down	22.8%	1.21	7.54	down	84.0%

	Non-GAAP(4) Q4 2021	Non-GAAP(4) Q3 2021	Non-GAAP(4) Q/Q change		Non-GAAP(4) Q4 2020	Non-GAAP(4) Y/Y change		Non-GAAP(4) 2021	Non-GAAP(4) 2020	Non-GAAP(4) Y/Y Change	
Adjusted Operating Income	14,421	22,691	down	36.4%	15,355	down	6.1%	56,135	41,584	up	35.0%
Adjusted EBITDA	18,144	26,361	down	31.2%	18,582	down	2.4%	70,701	52,919	up	33.6%
Adjusted Net Income	14,606	20,073	down	27.2%	17,268	down	15.4%	51,059	28,260	up	80.7%
Adjusted Earnings per Common Share—Diluted	0.31	0.42	down	26.2%	0.40	down	22.5%	1.09	0.73	up	49.3%

(1) Following the consummation of the sale of the Foundry Services Group business and Fab 4 in Q3 2020, and for a period of up to three years, we will provide transitional foundry services to the buyer for foundry products manufactured in our fabrication facility located in Gumi ("Transitional Fab 3 Foundry Services"). Management believes that disclosing revenue of Transitional Fab 3 Foundry Services separately from the standard products business allows investors to better understand the results of our core standard products display solutions and power solutions businesses.
(2) For the year ended December 31, 2021, operating income of $83.4 million included net gain of $35.5 million that represented $70.2 million income from the recognition of a reverse termination fee, net of professional service fees and expenses of $34.7 million incurred in connection with the contemplated merger transaction.
(3) For the year ended December 31,2020, net income of $345.0 million included income from discontinued operations, net of tax, of $287.9 million, primarily attributable to the recognition of $287.1 million as gain on sale of the Foundry Services Group business and Fab 4. It also included income tax benefits of $46.2 million, mainly attributable to the recognition of differences between GAAP and cash tax expense of $43.9 million.
(4) Non-GAAP financial measures are calculated based on the results from continuing operations. Management believes that non-GAAP financial measures, when viewed in conjunction with GAAP results, can provide a meaningful understanding of the factors and trends affecting our business and operations and assist in evaluating our core operating performance. However, such non-GAAP financial measures have limitations and should not be considered as a substitute for net income from continuing operations or as a better indicator of our operating performance than measures that are presented in accordance with GAAP. A reconciliation of GAAP results to non-GAAP results is included in this press release.

Appendix: GAAP to Non-GAAP Reconciliation

(In thousands of U.S. dollars)	Three Months Ended December 31, 2021	Three Months Ended September 30, 2021	Three Months Ended December 31, 2020	Year Ended December 31, 2021	Year Ended December 31, 2020
Operating income	$ 63,870	$ 20,001	$ 9,206	$ 83,407	$ 27,016
Adjustments:					
Equity-based compensation expense	1,648	2,005	1,945	7,704	6,311
Inventory reserve related to Huawei impact of downstream trade restrictions	(379)	(1,081)	(871)	(1,460)	1,460
Expenses related to Fab 3 power outage	—	—	—	—	1,168
Merger-related costs (income), net	(49,369)	1,552	653	(35,527)	653
Early termination and other charges, net	(1,349)	214	4,422	2,011	4,976
Adjusted operating income	$ 14,421	$ 22,691	$ 15,355	$ 56,135	$ 41,584

We present Adjusted Operating Income as a supplemental measure of our performance. We define Adjusted Operating Income for the periods indicated as operating income adjusted to exclude (i) Equity-based compensation expense, (ii) Inventory reserve related to Huawei impact of downstream trade restrictions, (iii) Expenses related to Fab 3 power outage, (iv) Merger-related costs (income), net and (v) Early termination and other charges, net.

For the year ended December 31, 2021, we recorded in our consolidated statement of operations net gain of $35,527 thousand that represented income of $70,200 thousand from the recognition of a reverse termination fee, net of professional service fees and expenses of $34,673 thousand incurred in connection with the contemplated merger transaction of the Company that was terminated in December 2021. For the same period, we also recorded $3,430 thousand of non-recurring professional service fees and expenses incurred in connection with the regulatory requests, partially offset by $1,419 thousand gain on sale of certain legacy equipment of the closed back-end line in our fabrication facility in Gumi (which was closed during the year ended December 31, 2018).

For the year ended December 31, 2020, we recorded in our consolidated statement of operations $4,422 thousand of early termination and other charges, net, in connection with the headcount reduction program offered and paid to the employees during the fourth quarter of 2020. During the same period, we also recorded $554 thousand of non-recurring professional service fees and expenses incurred in connection with certain treasury and finance initiatives.

Appendix: GAAP to Non-GAAP Reconciliation

(In thousands of U.S. dollars, except share data)	Three Months Ended December 31, 2021	Three Months Ended September 30, 2021	Three Months Ended December 31, 2020	Year Ended December 31, 2021	Year Ended December 31, 2020
Income from continuing operations	$ 53,611	$ 10,768	$ 67,902	$ 56,708	$ 57,059
Adjustments:					
Interest expense, net	(726)	(439)	863	(1,238)	15,404
Income tax expense (benefit)	11,221	3,149	(47,064)	17,261	(46,228)
Depreciation and amortization	3,663	3,578	3,148	14,239	11,116
EBITDA	67,769	17,056	24,849	86,970	37,351
Equity-based compensation expense	1,648	2,005	1,945	7,704	6,311
Foreign currency loss (gain), net	(147)	7,579	(13,256)	11,853	382
Derivative valuation loss (gain), net	(29)	(237)	74	(123)	(148)
Loss on early extinguishment of borrowings, net	—	—	766	—	766
Inventory reserve related to Huawei impact of downstream trade restrictions	(379)	(1,081)	(871)	(1,460)	1,460
Expenses related to Fab 3 power outage	—	—	—	—	1,168
Merger-related costs (income), net	(49,369)	1,552	653	(35,527)	653
Early termination and other charges, net	(1,349)	(513)	4,422	1,284	4,976
Adjusted EBITDA	18,144	26,361	18,582	70,701	52,919
Income from continuing operations	$ 53,611	$ 10,768	$ 67,902	$ 56,708	$ 57,059
Adjustments:					
Equity-based compensation expense	1,648	2,005	1,945	7,704	6,311
Foreign currency loss (gain), net	(147)	7,579	(13,256)	11,853	382
Derivative valuation loss (gain), net	(29)	(237)	74	(123)	(148)
Loss on early extinguishment of borrowings, net	—	—	766	—	766
Inventory reserve related to Huawei impact of downstream trade restrictions	(379)	(1,081)	(871)	(1,460)	1,460
Expenses related to Fab 3 power outage	—	—	—	—	1,168
Merger-related costs (income), net	(49,369)	1,552	653	(35,527)	653
Early termination and other charges, net	(1,349)	(513)	4,422	1,284	4,976
GAAP and cash tax expense difference	907	—	(43,874)	907	(43,874)
Income tax effect on non-GAAP adjustments	9,713	—	(493)	9,713	(493)
Adjusted Net Income	$ 14,606	$ 20,073	$ 17,268	$ 51,059	$ 28,260
Adjusted Net Income per common share—					
- Basic	$ 0.31	$ 0.43	$ 0.49	$ 1.14	$ 0.80
- Diluted	$ 0.31	$ 0.42	$ 0.40	$ 1.09	$ 0.73
Weighted average number of shares – basic	46,369,520	46,449,234	35,582,966	44,879,412	35,213,525
Weighted average number of shares – diluted	47,691,816	47,808,457	47,062,903	47,709,373	46,503,586

Adjusted EBITDA is defined for the periods indicated as EBITDA adjusted to exclude (i) Equity-based compensation expense, (ii) Foreign currency loss (gain), net, (iii) Derivative valuation loss (gain), net, (iv) Loss on early extinguishment of borrowings, net, (v) Inventory reserve related to Huawei impact of downstream trade restrictions, (vi) Expenses related to Fab 3 power outage, (vii) Merger-related costs (income), net and (viii) Early termination and other charges, net.

Adjusted Net Income is defined for the periods indicated as income from continuing operations, adjusted to exclude (i) Equity-based compensation expense, (ii) Foreign currency loss (gain), net, (iii) Derivative valuation loss (gain), net, (iv) Loss on early extinguishment of borrowings, net, (v) Inventory reserve related to Huawei impact of downstream trade restrictions, (vi) Expenses related to Fab 3 power outage, (vii) Merger-related costs (income), net, (viii) Early termination and other charges, net, (ix) GAAP and cash tax expense difference and (x) Income tax effect on non-GAAP adjustments.