

MAGNACHIP SEMICONDUCTOR Corp  
Form 10-Q  
August 09, 2018  
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**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 June 30, 2018**

**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)**  
**c/o MagnaChip Semiconductor S.A.**

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

**1, Allée Scheffer, L-2520**

**Luxembourg, Grand Duchy of Luxembourg**

**(352) 45-62-62**

**(Address, zip code, and telephone number, including area code, of registrant's principal executive offices)**

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 (Do not check if a smaller reporting company)

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 July 31, 2018, the registrant had 34,495,040 shares of common stock outstanding.



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**MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES**

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**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Interim Consolidated Financial Statements (Unaudited)**  
**MAGNACHIP SEMICONDUCTOR CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS (Unaudited)**

	<b>June 30</b>	<b>December 31,</b>
	<b>2018</b>	<b>2017</b>
	<b>(In thousands of US dollars,</b>	
	<b>except share data)</b>	
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 131,682	\$ 128,575
Accounts receivable, net	85,570	92,026
Unbilled accounts receivable	35,857	
Inventories, net	57,456	73,073
Other receivables	8,468	4,292
Prepaid expenses	10,227	9,250
Hedge collateral (Note 7)	10,100	7,600
Other current assets (Notes 7 and 18)	11,023	15,444
<b>Total current assets</b>	<b>350,383</b>	<b>330,260</b>
Property, plant and equipment, net	197,034	205,903
Intangible assets, net	3,966	4,061
Long-term prepaid expenses	13,858	12,791
Other non-current assets	5,851	5,774
<b>Total assets</b>	<b>\$ 571,092</b>	<b>\$ 558,789</b>
<b>Liabilities and Stockholders Equity</b>		
Current liabilities		
Accounts payable	\$ 60,742	\$ 65,940
Other accounts payable	11,123	10,261
Accrued expenses	49,506	51,746
Deferred revenue	13,440	8,335
Other current liabilities (Note 7)	5,149	1,860
<b>Total current liabilities</b>	<b>139,960</b>	<b>138,142</b>
Long-term borrowings, net	304,489	303,416
Accrued severance benefits, net	145,542	148,905

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Other non-current liabilities (Note 4)	14,894	7,963
Total liabilities	604,885	598,426
Commitments and contingencies (Note 18)		
Stockholders' equity		
Common stock, \$0.01 par value, 150,000,000 shares authorized, 42,877,395 shares issued and 34,483,754 outstanding at June 30, 2018 and 42,563,808 shares issued and 34,189,599 outstanding at December 31, 2017	429	426
Additional paid-in capital	139,502	136,259
Accumulated deficit	(51,147)	(40,889)
Treasury stock, 8,393,641 shares at June 30, 2018 and 8,374,209 shares at December 31, 2017	(102,518)	(102,319)
Accumulated other comprehensive loss	(20,059)	(33,114)
Total stockholders' deficit	(33,793)	(39,637)
Total liabilities and stockholders' equity	\$ 571,092	\$ 558,789

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

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

	Three Months Ended		Six Months Ended	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
	(In thousands of US dollars, except share data)			
Net sales	\$ 199,685	\$ 166,685	\$ 365,504	\$ 328,395
Cost of sales	145,831	120,023	267,069	240,163
Gross profit	53,854	46,662	98,435	88,232
Operating expenses				
Selling, general and administrative expenses	18,935	17,730	36,557	40,878
Research and development expenses	21,005	16,928	40,585	34,886
Restructuring and other gain				(17,010)
Early termination charges		2,262		13,369
Total operating expenses	39,940	36,920	77,142	72,123
Operating income	13,914	9,742	21,293	16,109
Interest expense	(5,489)	(5,441)	(10,952)	(10,614)
Foreign currency gain (loss), net	(27,449)	(11,905)	(26,131)	29,881
Other income (expense), net	(960)	83	(441)	1,694
Income (loss) before income taxes	(19,984)	(7,521)	(16,231)	37,070
Income tax expenses	1,521	538	2,511	1,391
Net income (loss)	\$ (21,505)	\$ (8,059)	\$ (18,742)	\$ 35,679
Earnings (loss) per common share				
Basic	\$ (0.62)	\$ (0.24)	\$ (0.55)	\$ 1.06
Diluted	\$ (0.62)	\$ (0.24)	\$ (0.55)	\$ 0.87
Weighted average number of shares				
Basic	34,420,654	33,952,574	34,337,345	33,808,237
Diluted	34,420,654	33,952,574	34,337,345	43,772,115

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	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>	<b>June 30,</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>(In thousands of US dollars)</b>			
Net income (loss)	\$ (21,505)	\$ (8,059)	\$ (18,742)	\$ 35,679
Other comprehensive income (loss)				
Foreign currency translation adjustments	20,116	9,362	19,633	(25,962)
Derivative adjustments				
Fair valuation of derivatives	(1,870)	(1,594)	(1,937)	909
Reclassification adjustment for gain on derivatives included in net income (loss)	(2,035)	(808)	(4,641)	(1,305)
Total other comprehensive income (loss)	16,211	6,960	13,055	(26,358)
Total comprehensive income (loss)	\$ (5,294)	\$ (1,099)	\$ (5,687)	\$ 9,321



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(In thousands of US dollars, except share data)	Common Stock		Additional	Accumulated	Treasury	Accumulated	Total
	Shares	Amount	Paid-In Capital			Deficit	
<b>Six Months Ended June 30, 2018:</b>							
<b>Balance at December 31, 2017, as previously reported</b>	34,189,599	\$ 426	\$ 136,259	\$ (40,889)	\$ (102,319)	\$ (33,114)	\$ (39,637)
Impact of adopting the new revenue standard				8,484			8,484
<b>Balance at January 1, 2018, as adjusted</b>	34,189,599	\$ 426	\$ 136,259	\$ (32,405)	\$ (102,319)	\$ (33,114)	\$ (31,153)
Stock-based compensation			2,810				2,810
Exercise of stock options	64,753	1	435				436
Settlement of restricted stock units	248,834	2	(2)				
Acquisition of treasury stock	(19,432)				(199)		(199)
Other comprehensive income, net						13,055	13,055
Net loss				(18,742)			(18,742)
<b>Balance at June 30, 2018</b>	34,483,754	\$ 429	\$ 139,502	\$ (51,147)	\$ (102,518)	\$ (20,059)	\$ (33,793)
<b>Six Months Ended June 30, 2017:</b>							
<b>Balance at January 1, 2017</b>	35,048,338	\$ 416	\$ 130,189	\$ (125,825)	\$ (90,918)	\$ 14,024	\$ (72,114)
Stock-based compensation			1,179				1,179