

MAGNACHIP SEMICONDUCTOR LLC

Form 10-Q

August 13, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended June 29, 2008

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 333-126019-09

MAGNACHIP SEMICONDUCTOR LLC

(Exact name of Registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

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

c/o MagnaChip Semiconductor S.A.

74, rue de Merl, B.P. 709, L-2017

Luxembourg, Grand Duchy of Luxembourg
(Address of principal executive offices)

Not Applicable
(Zip Code)

Registrant's telephone number, including area code: (352) 45-62-62

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 is a large accelerated filer, an accelerated filer, a non accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting 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 ☐

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 August 1, 2008, the registrant had 52,923,482.797 of the registrant's common units outstanding.

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MagnaChip Semiconductor LLC and Subsidiaries

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****MagnaChip Semiconductor LLC and Subsidiaries****Condensed Consolidated Statements of Operations****(Unaudited; in thousands of US dollars, except unit data)**

	Three months ended		Six months ended	
	June 29, 2008	July 1, 2007	June 29, 2008	July 1, 2007
Net sales	\$ 194,676	\$ 194,053	\$ 397,728	\$ 345,836
Cost of sales	145,522	166,299	300,708	303,159
Gross profit	49,154	27,754	97,020	42,677
Selling, general and administrative expenses	23,010	25,531	42,234	48,260
Research and development expenses	35,494	32,534	71,841	67,652
Restructuring and impairment charges		12,084	(875)	12,084
Operating loss	(9,350)	(42,395)	(16,180)	(85,319)
Other income (expenses)				
Interest expense, net	(15,816)	(14,952)	(31,511)	(29,368)
Foreign currency gain (loss), net	(31,149)	13,868	(74,013)	6,477
Loss before income taxes	(56,315)	(43,479)	(121,704)	(108,210)
Income tax expenses	3,278	1,845	5,786	4,096
Net loss	\$ (59,593)	\$ (45,324)	\$ (127,490)	\$ (112,306)
Dividends accrued on preferred units	3,281	2,983	6,399	5,853
Net loss attributable to common units	\$ (62,874)	\$ (48,307)	\$ (133,889)	\$ (118,159)
Net loss per common units				
- Basic and diluted	\$ (1.19)	\$ (0.92)	\$ (2.54)	\$ (2.24)
Weighted average number of units				
- Basic and diluted	52,736,809	52,772,652	52,658,459	52,746,718

The accompanying notes are an integral part of these financial statements

Table of Contents**MagnaChip Semiconductor LLC and Subsidiaries****Condensed Consolidated Balance Sheets****(Unaudited; in thousands of US dollars, except unit data)**

	June 29, 2008	December 31, 2007
Assets		
Current assets		
Cash and cash equivalents	\$ 36,503	\$ 64,345
Accounts receivable, net	149,212	123,789
Inventories, net	63,532	75,867
Other receivables	5,480	5,771
Other current assets	17,458	10,951
Total current assets	272,185	280,723
Property, plant and equipment, net	246,239	279,669
Intangible assets, net	82,079	104,725
Other non-current assets	44,780	42,766
Total assets	\$ 645,283	\$ 707,883
Liabilities and Unitholders Equity		
Current liabilities		
Accounts payable	\$ 118,058	\$ 89,977
Other accounts payable	24,274	30,661
Accrued expenses	20,272	18,100
Short-term borrowings	85,000	80,000
Other current liabilities	3,758	6,377
Total current liabilities	251,362	225,115
Long-term borrowings	750,000	750,000
Accrued severance benefits, net	70,615	74,176
Other non-current liabilities	12,953	6,666
Total liabilities	1,084,930	1,055,957
Commitments and contingencies		
Series A redeemable convertible preferred units; \$1,000 par value; 60,000 units authorized, 50,091 units issued and 0 unit outstanding at June 29, 2008 and December 31, 2007		
Series B redeemable convertible preferred units; \$1,000 par value; 550,000 units authorized, 450,692 units issued and 93,997 units outstanding at June 29, 2008 and December 31, 2007	135,804	129,405
Total redeemable convertible preferred units	135,804	129,405
Unitholders equity		
Common units; \$1 par value; 65,000,000 units authorized, 52,919,108 and 52,844,222 units issued and outstanding at June 29, 2008 and December 31, 2007	52,919	52,844
Additional paid-in capital	2,900	3,077
Accumulated deficit	(698,338)	(564,449)

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Accumulated other comprehensive income	67,068	31,049
Total unitholders' equity	(575,451)	(477,479)
Total liabilities, redeemable convertible preferred units and unitholders' equity	\$ 645,283	\$ 707,883

The accompanying notes are an integral part of these financial statements

Table of Contents**MagnaChip Semiconductor LLC and Subsidiaries****Condensed Consolidated Statements of Changes in Unitholders' Equity****(Unaudited; in thousands of US dollars, except unit data)**

	Common Units		Additional		Accumulated	Accumulated	
	Units	Amount	Paid-In		deficit	Other	Total
			Capital			Comprehensive	
						Income	
Three months ended June 29, 2008							
Balance at March 30, 2008	52,847,472	\$ 52,847	\$ 3,135		\$ (635,464)	\$ 51,592	\$ (527,890)
Exercise of unit options	143,272	143	1				144
Repurchase of common units	(71,636)	(71)	(357)				(428)
Unit-based compensation			121				121
Dividends accrued on preferred units					(3,281)		(3,281)
Comprehensive income (loss):							
Net loss					(59,593)		(59,593)
Fair valuation of derivatives						779	779
Foreign currency translation adjustments						14,697	14,697
Total comprehensive loss							(44,117)
Balance at June 29, 2008	52,919,108	\$ 52,919	\$ 2,900		\$ (698,338)	\$ 67,068	\$ (575,451)
Six months ended June 29, 2008							
Balance at January 1, 2008	52,844,222	\$ 52,844	\$ 3,077		\$ (564,449)	\$ 31,049	\$ (477,479)
Exercise of unit options	157,085	157	15				172
Repurchase of common units	(82,199)	(82)	(414)				(496)
Unit-based compensation			222				222
Dividends accrued on preferred units							