

MAGNACHIP SEMICONDUCTOR LLC

Form 10-Q

November 12, 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 September 28, 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 September 28, 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)**

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 28, 2008</b>	<b>September 30, 2007</b>	<b>September 28, 2008</b>	<b>September 30, 2007</b>
Net sales	\$ 176,012	\$ 200,045	\$ 573,740	\$ 545,881
Cost of sales	135,505	168,702	436,213	471,861
<b>Gross profit</b>	<b>40,507</b>	<b>31,343</b>	<b>137,527</b>	<b>74,020</b>
Selling, general and administrative expenses	21,226	23,644	63,460	71,904
Research and development expenses	32,199	33,437	104,040	101,089
Restructuring and impairment charges	26,285		25,410	12,084
<b>Operating loss</b>	<b>(39,203)</b>	<b>(25,738)</b>	<b>(55,383)</b>	<b>(111,057)</b>
Other income (expenses)				
Interest expense, net	(15,631)	(15,336)	(47,142)	(44,704)
Foreign currency gain (loss), net	(81,640)	4,855	(155,653)	11,332
<b>Loss before income taxes</b>	<b>(136,474)</b>	<b>(36,219)</b>	<b>(258,178)</b>	<b>(144,429)</b>
Income tax expenses	3,317	2,547	9,103	6,643
<b>Net loss</b>	<b>\$ (139,791)</b>	<b>\$ (38,766)</b>	<b>\$ (267,281)</b>	<b>\$ (151,072)</b>
Dividends accrued on preferred units	3,306	3,010	9,705	8,863
<b>Net loss attributable to common units</b>	<b>\$ (143,097)</b>	<b>\$ (41,776)</b>	<b>\$ (276,986)</b>	<b>\$ (159,935)</b>
Net loss per common units				
- Basic and diluted	\$ (2.71)	\$ (0.79)	\$ (5.25)	\$ (3.03)
Weighted average number of units				
- Basic and diluted	52,831,904	52,814,383	52,716,486	52,769,273

*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)**

	September 28, 2008	December 31, 2007
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 23,870	\$ 64,345
Accounts receivable, net	140,441	123,789
Inventories, net	59,768	75,867
Other receivables	5,631	5,771
Other current assets	18,388	10,951
Total current assets	248,098	280,723
Property, plant and equipment, net	204,196	279,669
Intangible assets, net	55,077	104,725
Other non-current assets	39,784	42,766
Total assets	\$ 547,155	\$ 707,883
<b>Liabilities and Unitholders Equity</b>		
Current liabilities		
Accounts payable	\$ 105,894	\$ 89,977
Other accounts payable	19,525	30,661
Accrued expenses	24,674	18,100
Short-term borrowings	90,000	80,000
Other current liabilities	4,216	6,377
Total current liabilities	244,309	225,115
Long-term borrowings	750,000	750,000
Accrued severance benefits, net	68,566	74,176
Other non-current liabilities	10,212	6,666
Total liabilities	1,073,087	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 September 28, 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 September 28, 2008 and December 31, 2007	139,110	129,405
Total redeemable convertible preferred units	139,110	129,405
Unitholders equity		
Common units; \$1 par value; 65,000,000 units authorized, 52,923,483 and 52,844,222 units issued and outstanding at September 28, 2008 and December 31, 2007	52,923	52,844
Additional paid-in capital	3,031	3,077
Accumulated deficit	(841,435)	(564,449)

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Accumulated other comprehensive income	120,439	31,049
Total unitholders' equity	(665,042)	(477,479)
Total liabilities, redeemable convertible preferred units and unitholders' equity	\$ 547,155	\$ 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 Paid-In Capital	Accumulated deficit	Accumulated Other Comprehensive Income	Total
	Units	Amount				
<b>Three months ended September 28, 2008</b>						
<b>Balance at June 30, 2008</b>	52,919,108	\$ 52,919	\$ 2,900	\$ (698,338)	\$ 67,068	\$ (575,451)
Exercise of unit options	4,375	4	7			11
Unit-based compensation			124			124
Dividends accrued on preferred units				(3,306)		(3,306)
Comprehensive income (loss)						
Net loss				(139,791)		(139,791)
Foreign currency translation adjustments					53,371	53,371
<b>Total comprehensive loss</b>						<b>(86,420)</b>
<b>Balance at September 28, 2008</b>	52,923,483	\$ 52,923	\$ 3,031	\$ (841,435)	\$ 120,439	\$ (665,042)
<b>Nine months ended September 28, 2008</b>						
<b>Balance at January 1, 2008</b>	52,844,222	\$ 52,844	\$ 3,077	\$ (564,449)	\$ 31,049	\$ (477,479)
Exercise of unit options	161,460	161	22			183
Repurchase of common units	(82,199)	(82)	(414)			(496)
Unit-based compensation			346			346
Dividends accrued on preferred units				(9,705)		(9,705)
Comprehensive income (loss)						
Net loss				(267,281)		(267,281)
Fair valuation of derivatives						