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MAGNACHIP SEMICONDUCTOR LLC

Form FWP

September 03, 2010

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Issuer Free Writing Prospectus

Filed Pursuant to Rule 433

Registration No. 333-165467

MagnaChip Semiconductor LLC (the Company) has filed a registration statement (including a preliminary prospectus) with the Securities and Exchange Commission (SEC) for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the Company has filed with the SEC for more complete information about the company and the offering. You may get these documents for free by visiting EDGAR on the SEC web site at [www.sec.gov](http://www.sec.gov) or by visiting the Company's investor relations SEC web site link at [www.magnachip.com](http://www.magnachip.com). Alternatively, the Company will arrange to send you the preliminary prospectus if you request it by calling 1-408-625-1262.

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**x    QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE  
     ACT OF 1934**

For the quarterly period ended June 30, 2010

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: 333-168516-09

**MagnaChip Semiconductor LLC**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of

**26-1815025**  
(I.R.S. Employer

incorporation or organization)

Identification No.)

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

**74, rue de Merl, B.P. 709 L-2146**

**Luxembourg R.C.S.**

**Luxembourg B97483**

**(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, 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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.    ☒ Yes    ☐ No

As of July 31, 2010, the registrant had 307,233,996 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. Interim Consolidated Financial Statements (Unaudited)****MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****(Unaudited; in thousands of US dollars, except unit data)**

|   | <b>Successor</b>         |                              |
|---|--------------------------|------------------------------|
|   | <b>June 30,<br/>2010</b> | <b>December 31,<br/>2009</b> |
| <b>Assets</b>   |                          |                              |
| Current assets  |                          |                              |
| Cash and cash equivalents   | \$ 141,310               | \$ 64,925                    |
| Accounts receivable, net  | 117,711                  | 74,233                       |
| Inventories, net  | 59,972                   | 63,407                       |
| Other receivables   | 3,702                    | 3,433                        |
| Prepaid expenses  | 9,908                    | 12,625                       |
| Other current assets  | 11,097                   | 3,433                        |
| Total current assets  | 343,700                  | 222,056                      |
| Property, plant and equipment, net  | 155,040                  | 156,337                      |
| Intangible assets, net  | 34,837                   | 50,158                       |
| Long-term prepaid expenses  | 10,883                   | 10,542                       |
| Other non-current assets  | 21,491                   | 14,238                       |
| Total assets  | \$ 565,951               | \$ 453,331                   |
| <b>Liabilities and Unitholders' Equity</b>  |                          |                              |
| Current liabilities   |                          |                              |
| Accounts payable  | \$ 69,379                | \$ 59,705                    |
| Other accounts payable  | 22,546                   | 7,190                        |
| Accrued expenses  | 31,906                   | 22,114                       |
| Current portion of long-term borrowings   |                          | 618                          |
| Other current liabilities   | 7,826                    | 3,937                        |
| Total current liabilities   | 131,657                  | 93,564                       |
| Long-term borrowings, net   | 246,746                  | 61,132                       |
| Accrued severance benefits, net   | 76,394                   | 72,409                       |
| Other non-current liabilities   | 9,234                    | 10,536                       |
| Total liabilities   | 464,031                  | 237,641                      |
| <b>Commitments and contingencies</b>  |                          |                              |
| <b>Unitholders' equity</b>  |                          |                              |
| Common units, no par value, 375,000,000 units authorized, 307,233,996 and 307,083,996 units issued and outstanding at June 30, 2010 and December 31, 2009, respectively | 55,453                   | 55,135                       |
| Additional paid-in capital  | 39,224                   | 168,700                      |

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|   |            |            |
|---|------------|------------|
| Accumulated deficit                           | (1,609)    | (1,963)    |
| Accumulated other comprehensive income (loss) | 8,852      | (6,182)    |
| Total unitholders' equity                     | 101,920    | 215,690    |
| Total liabilities and unitholders' equity     | \$ 565,951 | \$ 453,331 |

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

**Table of Contents****MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited; in thousands of US dollars, except unit data)**

|   | Successor          |                  | Predecessor        |                  |
|---|--------------------|------------------|--------------------|------------------|
|   | Three Months Ended | Six Months Ended | Three Months Ended | Six Months Ended |
|   | June 30, 2010      |                  | June 28, 2009      |                  |
| Net sales   | \$ 194,700         | \$ 374,185       | \$ 139,693         | \$ 241,152       |
| Cost of sales   | 130,166            | 260,293          | 91,362             | 171,922          |
| Gross profit  | 64,534             | 113,892          | 48,331             | 69,230           |
| Selling, general and administrative expenses                          | 15,964             | 33,872           | 18,353             | 33,636           |
| Research and development expenses                                     | 20,543             | 41,074           | 16,242             | 33,228           |
| Restructuring and impairment charges                                  | 267                | 603              | 385                | 439              |
| Operating income from continuing operations                           | 27,760             | 38,343           | 13,351             | 1,927            |
| Other income (expenses)   |                    |                  |                    |                  |
| Interest expense, net   | (6,557)            | (8,606)          | (12,837)           | (27,491)         |
| Foreign currency gain (loss), net                                     | (48,273)           | (26,657)         | 30,791             | (9,420)          |
| Reorganization items, net   |                    |                  | (340)              | (340)            |
| Others  | (950)              | (1,002)          |                    |                  |
|   | (55,780)           | (36,265)         | 17,614             | (37,251)         |
| Income (loss) from continuing operations before income taxes          | (28,020)           | 2,078            | 30,965             | (35,324)         |
| Income tax expenses   | 2,727              | 1,724            | 2,387              | 5,005            |
| Income (loss) from continuing operations                              | (30,747)           | 354              | 28,578             | (40,329)         |
| Loss from discontinued operations, net of taxes                       |                    |                  | 966                | 1,751            |
| Net income (loss)   | \$ (30,747)        | \$ 354           | \$ 27,612          | \$ (42,080)      |
| Dividends accrued on preferred units                                  |                    |                  | 2,948              | 6,317            |
| Income (loss) from continuing operations attributable to common units | \$ (30,747)        | \$ 354           | \$ 25,630          | \$ (46,646)      |
| Net income (loss) attributable to common units                        | \$ (30,747)        | \$ 354           | \$ 24,664          | \$ (48,397)      |
| Earnings (loss) per common unit from continuing operations            |                    |                  |                    |                  |
| - Basic and diluted   | \$ (0.10)          | \$ 0.00          | \$ 0.48            | \$ (0.88)        |

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Loss per common unit from discontinued operations

|                     |    |    |    |      |    |      |
|---------------------|----|----|----|------|----|------|
| - Basic and diluted | \$ | \$ | \$ | 0.02 | \$ | 0.03 |
|---------------------|----|----|----|------|----|------|

|   |    |        |    |      |    |      |    |        |
|---|----|--------|----|------|----|------|----|--------|
| Earnings (loss) per common unit Basic and diluted | \$ | (0.10) | \$ | 0.00 | \$ | 0.46 | \$ | (0.91) |
|---|----|--------|----|------|----|------|----|--------|

|  |             |             |            |            |
|--|-------------|-------------|------------|------------|
| Weighted average number of units Basic | 302,558,556 | 302,501,374 | 52,923,483 | 52,923,483 |
|--|-------------|-------------|------------|------------|

|  |             |             |            |            |
|--|-------------|-------------|------------|------------|
| Weighted average number of units Diluted | 302,558,556 | 312,480,377 | 52,923,483 | 52,923,483 |
|--|-------------|-------------|------------|------------|

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



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**MAGNACHIP SEMICONDUCTOR LLC AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY**

(Unaudited; in thousands of US dollars, except unit data)

|                                  | Common Units |        | Additional<br>Paid-In<br>Capital | Retained<br>Earnings<br>(Accumulated<br>deficit) | Accumulated<br>Other<br>Comprehensive<br>Income (loss) | Total |
|----------------------------------|--------------|--------|----------------------------------|--|--|-------|
|                                  | Units        | Amount |                                  |  |  |       |
| Three Months Ended June 30, 2010 |              |        |                                  |  |  |       |