

MAGNACHIP SEMICONDUCTOR LLC
Form 10-Q
May 16, 2007
Table of Contents

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 April 1, 2007

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)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

c/o MagnaChip Semiconductor S.A.

Not Applicable

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

Edgar Filing: MAGNACHIP SEMICONDUCTOR LLC - Form 10-Q

Luxembourg, Grand Duchy of Luxembourg

(Address of principal executive offices)

(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, or a non accelerated filer. See the definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer

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 May 1, 2007, the registrant had 52,720,784.0470 of the registrant's common units outstanding.

Table of Contents

MagnaChip Semiconductor LLC and Subsidiaries

TABLE OF CONTENTS

	Page No.
PART I FINANCIAL INFORMATION	
Item 1.	1
<u>Financial Statements (Unaudited)</u>	
<u>Condensed Consolidated Statements of Operations</u>	1
<u>Condensed Consolidated Balance Sheets</u>	2
<u>Condensed Consolidated Statements of Changes in Unitholders' Equity</u>	3
<u>Condensed Consolidated Statements of Cash Flows</u>	4
<u>Notes to Condensed Consolidated Financial Statements</u>	5
Item 2.	21
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	
Item 3.	27
<u>Quantitative and Qualitative Disclosures About Market Risk</u>	
Item 4T.	28
<u>Controls and Procedures</u>	
PART II OTHER INFORMATION	
Item 1A.	28
<u>Risk Factors</u>	
Item 6.	33
<u>Exhibits</u>	
<u>SIGNATURES</u>	34

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	
	April 1, 2007	April 2, 2006
Net sales	\$ 151,783	\$ 213,143
Cost of sales	136,860	172,815
Gross profit	14,923	40,328
Selling, general and administrative expenses	22,729	21,531
Research and development expenses	35,118	29,918
Operating loss	(42,924)	(11,121)
Other income (expenses)		
Interest expense, net	(14,416)	(14,733)
Foreign currency gain (loss), net	(7,391)	24,237
Loss before income taxes	(64,731)	(1,617)
Income tax expenses	2,251	2,274
Net loss	\$ (66,982)	\$ (3,891)
Dividends accrued on preferred units	2,870	2,633
Net loss attributable to common units	\$ (69,852)	\$ (6,524)
Net loss per common units - Basic and diluted	\$ (1.32)	\$ (0.12)
Weighted average number of units - Basic and diluted	52,720,784	53,104,521

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)**

	April 1, 2007	December 31, 2006
Assets		
Current assets		
Cash and cash equivalents	\$ 59,264	\$ 89,173
Accounts receivable, net	80,717	76,665
Inventories, net	69,362	57,846
Other receivables	6,707	6,754
Other current assets	13,914	13,626
Total current assets	229,964	244,064
Property, plant and equipment, net	304,523	336,279
Intangible assets, net	130,458	139,729
Other non-current assets	47,468	49,981
Total assets	\$ 712,413	\$ 770,053
Liabilities and Unitholders Equity		
Current liabilities		
Accounts payable	\$ 64,181	\$ 62,399
Other accounts payable	26,688	32,423
Accrued expenses	34,807	23,647
Other current liabilities	3,046	2,980
Total current liabilities	128,722	121,449
Long-term borrowings	750,000	750,000
Accrued severance benefits, net	63,381	62,836
Other non-current liabilities	5,051	2,935
Total liabilities	947,154	937,220
Commitments and contingencies		
Series A redeemable convertible preferred units; 60,000 units authorized, 50,091 units issued and 0 unit outstanding at April 1, 2007 and December 31, 2006		
Series B redeemable convertible preferred units; 550,000 units authorized, 450,692 units issued and 93,997 units outstanding at April 1, 2007 and December 31, 2006	120,244	117,374
Total redeemable convertible preferred units	120,244	117,374
Unitholders equity		
Common units; 65,000,000 units authorized, 52,720,784 units issued and outstanding at April 1, 2007 and December 31, 2006	52,721	52,721
Additional paid-in capital	2,476	2,451
Accumulated deficit	(441,720)	(370,314)
Accumulated other comprehensive income	31,538	30,601

Edgar Filing: MAGNACHIP SEMICONDUCTOR LLC - Form 10-Q

Total unitholders' equity	(354,985)	(284,541)
Total liabilities, redeemable convertible preferred units and unitholders' equity	\$ 712,413	\$ 770,053

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**

(In thousands of US dollars, except unit data)

	Common Units		Additional Paid-In Capital	Accumulated deficit	Accumulated Other Comprehensive Income	Total
	Units	Amount				
Three months ended April 2, 2006						
Balance at January 1, 2006	53,091,570	\$ 53,092	\$ 2,169	\$ (130,092)	\$ 28,347	\$ (46,484)
Exercise of unit options	38,875	38	36			74
Unit-based compensation			74			74
Dividends accrued on preferred units				(2,633)		(2,633)
Comprehensive income :						
Net loss				(3,891)		(3,891)
Fair valuation of derivatives					2,169	2,169
Foreign currency translation adjustments					3,747	3,747
Total comprehensive income						2,025
Balance at April 2, 2006	53,130,445	\$ 53,130	\$ 2,279	\$ (136,616)	\$ 34,263	\$ (46,944)
Three months ended April 1, 2007						
Balance at January 1, 2007	52,720,784	\$ 52,721	\$ 2,451	\$ (370,314)	\$ 30,601	\$ (284,541)
Cumulative impact from adoption of FASB Interpretation (FIN) No. 48, <i>Accounting for Uncertainty in Income Taxes</i> - an interpretation of SFAS No. 109				(1,554)		(1,554)
Unit-based compensation			25			25
Dividends accrued on preferred units				(2,870)		(2,870)
Comprehensive income (loss):						
Net loss				(66,982)		(66,982)
Fair valuation of derivatives					(917)	(917)
Foreign currency translation adjustments					1,854	1,854
Total comprehensive loss						(66,045)
Balance at April 1, 2007	52,720,784	\$ 52,721	\$ 2,476	\$ (441,720)	\$ 31,538	\$ (354,985)

The accompanying notes are an integral part of these financial statements

Table of Contents**MagnaChip Semiconductor LLC and Subsidiaries****Condensed Consolidated Statements of Cash Flows****(Unaudited; in thousands of US dollars)**

	Three months ended	
	April 1, 2007	April 2, 2006
Cash flows from operating activities		
Net loss	\$ (66,982)	\$ (3,891)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation and amortization	43,942	50,304
Provision for severance benefits	4,182	3,037
Amortization of debt issuance costs	963	870
(Gain) loss on foreign currency translation, net	7,849	(25,758)
Other	(90)	28
Changes in operating assets and liabilities		
Accounts receivable	(4,709)	20,912
Inventories	(12,183)	10,310
Other receivables	42	(1,186)
Accounts payable	2,610	(33,295)
Other accounts payable	(5,606)	(10,801)
Accrued expenses	11,410	5,503
Other current assets	602	(1,945)
Other current liabilities	109	(4,764)
Payment of severance benefits	(2,964)	(2,858)
Other	627	2,036
Net cash provided by (used in) operating activities	(20,198)	8,502

Cash flows from investing activities