



Magnachip Semiconductor



IN LATE 2008, MACQUARIE CAPITAL WAS ENGAGED BY THE SENIOR LENDER GROUP TO ADVISE IN THE RESTRUCTURING OF MAGNACHIP SEMICONDUCTOR. THE COMPANY'S HIGH LEVERAGE COMBINED WITH A DETERIORATING SEMICONDUCTOR MARKET FORCED THE COMPANY INTO CHAPTER 11 IN SEPTEMBER 2009. MACQUARIE ADVISED ON THE IMPLEMENTATION OF THE PLAN OF REORGANIZATION AND EVENTUAL SALE

DEAL OVERVIEW

- MagnaChip was impacted by industry-wide excess capacity resulting in reduced pricing as well as significant declines in demand
- The Company's capital structure included several classes of creditors within a ~\$850 million debt structure
- As the semiconductor cycle turned, the Company's liquidity levels dropped to unsustainable levels
- At that time, Macquarie Capital was engaged by the Senior Lender Group to assess strategic alternatives with respect to potential transactions
- The Company commenced a sale process in January with limited success. After significant negotiations with the lender group, a potential financial buyer executed a purchase agreement
- The Macquarie team continued to advise the Senior Lender Group in the implementation of the confirmed Plan of Reorganization as a secondary bid was received
- This bid provided a significant increase in value for the Senior Lenders and the execution was less cumbersome

KEY CONSIDERATIONS

Market

- Little to no demand for semiconductor assets from strategic players
- Only available source of capital was from the existing subordinated debt holders who had a significant stake in the Company
- While the majority of the Company's operations were in Korea, the Company was able to use the US Bankruptcy system to provide comfort to the buyer

Results

- Cross border team in Korea and the US was able to work seamlessly across geographies to provide solutions for the client and also communicate with the Company in their native language
- Senior Lender Group was able to enhance their collateral position by negotiating a forbearance agreement allowing them to perfect on all of their collateral pool.
- After reviewing all alternatives, the final executed transaction provided a higher return than expected to the Senior Lender Group in excess of a potential liquidation or initial sale proposal