



Photronics Reports Third Quarter Fiscal 2023 Results

September 6, 2023

BROOKFIELD, Conn., Sept. 06, 2023 (GLOBE NEWSWIRE) -- [Photronics, Inc.](#) (NASDAQ:PLAB), a worldwide leader in photomask technologies and solutions, today reported financial results for its third quarter of fiscal year 2023 ended July 30, 2023.

"The Photronics team performed well in the third quarter, maintaining strong margins in an environment where we experienced a temporary demand slowdown in some of our end markets," said Frank Lee, chief executive officer. "Revenues increased 2% over the prior year quarter and were slightly lower than the record levels in the second quarter of this year. IC declined sequentially as softer mainstream demand more than offset high-end growth in Asia. FPD high-end demand was lower as strong AMOLED sales were offset by lower LTPS and G10.5+."

"Despite lower revenue, we maintained good profit margins and once again drove strong cash flow generation, further strengthening the balance sheet to fund our strategic growth initiatives and navigate the industry downturn. The long-term photomask demand outlook remains positive, driven by several secular drivers that support robust design activity for new devices and ongoing trends to onshore semiconductor production in response to rising geopolitical risks. As the world's largest merchant photomask manufacturer, we are well positioned to benefit from these ongoing trends."

Third Quarter Fiscal 2023 Results

- Revenue was \$224.2 million, up 2% year-over-year and down 2% sequentially
- GAAP net income attributable to Photronics, Inc. shareholders was \$27.0 million, or \$0.44 per diluted share, compared with \$31.2 million, or \$0.51 per diluted share in the third quarter 2022 and \$39.9 million, or \$0.65 per diluted share in the second quarter of 2023
- Non-GAAP net income attributable to Photronics, Inc. shareholders was \$31.6 million, or \$0.51 per diluted share, compared with \$28.9 million, or \$0.47 per diluted share in the third quarter 2022 and \$32.9 million, or \$0.54 per diluted share in the second quarter of 2023
- IC revenue was \$163.1 million, up 1% year-over-year and down 2% sequentially
- FPD revenue was \$61.1 million, up 4% from the same quarter last year and down 2% sequentially
- Cash generated from operating activities was \$85.9 million, and cash invested in organic growth through capital expenditures was \$21.1 million
- Cash balance at the end of the quarter was \$448.5 million, with \$27.3 million in short-term investments and \$26.7 million in debt

Fourth Quarter Fiscal 2023 Guidance

For the fourth quarter of fiscal 2023, Photronics expects revenue to be between \$222 million and \$232 million and non-GAAP net income attributable to Photronics, Inc. shareholders to be between \$0.51 and \$0.59 per diluted share.

Webcast

A webcast to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, September 6, 2023. The call will be broadcast live and on-demand on the [Events and Presentations](#) link on the Photronics website. Analysts and investors who wish to participate in the Q&A portion of the call should click [here](#). It is suggested that participants register fifteen minutes prior to the call's scheduled start time.

About Photronics

[Photronics](#) is a leading worldwide manufacturer of integrated circuit (IC) and flat panel display (FPD) [photomasks](#). High precision quartz plates that contain microscopic images of electronic circuits, photomasks are a key element in the IC and FPD manufacturing process. Founded in 1969, Photronics has been a trusted photomask supplier for over 50 years. As of October 31, 2022, the company had 1,828 employees. The company operates 11 strategically located [manufacturing facilities](#) in Asia, Europe, and North America. Additional information on the company can be accessed at www.photronics.com.

Forward-Looking Statements

Certain statements in this press release constitute "forward-looking statements" regarding our industry, our strategic position, and our financial and operating results. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results, performance or achievements to differ materially. Please refer to the documents we file with the Securities and Exchange Commission. These documents contain and identify important factors that could cause our actual results to differ materially from those contained in these forward-looking statements. These certain factors can be found at www.photronics.com/riskfactors. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. We are under no duty to update any of the forward-looking statements after the date of this release to conform these statements to actual results.

Non-GAAP Financial Measures

Non-GAAP Net Income attributable to Photronics, Inc. shareholders and non-GAAP earnings per share, Free Cash Flow, and Net Cash are "non-GAAP financial measures" as such term is defined by the Securities and Exchange Commission and may differ from similarly named non-GAAP financial measures used by other companies. The attached financial supplement reconciles Photronics, Inc. financial results under GAAP to non-GAAP financial information. We believe these non-GAAP financial measures that exclude certain items are useful for analysts and investors to evaluate our future on-going performance, because they enable a more meaningful comparison of our projected performance with our historical results. These non-GAAP metrics are not intended to represent funds available for our discretionary use and are not intended to represent, or be used as a substitute for, gross profit, operating income, net income, cash and cash equivalents, or cash flows from operations, as measured under GAAP. The items excluded from these non-GAAP metrics but included in the calculation of their closest GAAP equivalent are significant components of the condensed consolidated balance sheets and statement of cash flows and must be considered in performing a comprehensive assessment of overall financial performance. Please refer to the non-GAAP reconciliations on the following pages.

For Further Information:

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PHOTRONICS, INC.
Condensed Consolidated Statements of Income
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended			Nine Months Ended	
	July 30, 2023	April 30, 2023	July 31, 2022	July 30, 2023	July 31, 2022
Revenue	\$ 224,206	\$ 229,306	\$ 219,948	\$ 664,603	\$ 614,283
Cost of goods sold	137,405	140,904	136,085	413,323	400,338
Gross Profit	86,801	88,402	83,863	251,280	213,945
Operating Expenses:					
Selling, general and administrative	18,032	17,878	15,960	52,728	48,306
Research and development	3,505	3,479	4,151	10,287	14,297
Total Operating Expenses	21,537	21,357	20,111	63,015	62,603
Other operating loss	-	-	(23)	-	(17)
Operating Income	65,264	67,045	63,729	188,265	151,325
Non-operating (loss) income, net	(911)	13,571	3,641	(1,764)	16,370
Income Before Income Tax Provision	64,353	80,616	67,370	186,501	167,695
Income tax provision	16,098	21,343	18,146	50,023	43,717
Net Income	48,255	59,273	49,224	136,478	123,978
Net income attributable to noncontrolling interests	21,296	19,344	17,994	55,604	42,252
Net income attributable to Photronics, Inc. shareholders	\$ 26,959	\$ 39,929	\$ 31,230	\$ 80,874	\$ 81,726
Earnings per share:					
Basic	\$ 0.44	\$ 0.65	\$ 0.51	\$ 1.32	\$ 1.35
Diluted	\$ 0.44	\$ 0.65	\$ 0.51	\$ 1.31	\$ 1.34

Weighted-average number of common shares outstanding:

Basic	<u>61,233</u>	<u>61,138</u>	<u>60,701</u>	<u>61,089</u>	<u>60,488</u>
Diluted	<u>61,974</u>	<u>61,507</u>	<u>61,299</u>	<u>61,650</u>	<u>61,127</u>

PHOTRONICS, INC.
Condensed Consolidated Balance Sheets
(in thousands)
(Unaudited)

	<u>July 30, 2023</u>	<u>October 31, 2022</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 448,479	\$ 319,680
Short-term investments	27,325	38,820
Accounts receivable	206,128	198,147
Inventories	55,379	50,753
Other current assets	<u>34,900</u>	<u>37,252</u>
Total current assets	772,211	644,652
Property, plant and equipment, net	701,459	643,873
Other assets	<u>29,673</u>	<u>27,305</u>
Total assets	\$ 1,503,343	\$ 1,315,830
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	\$ 6,589	\$ 10,024
Accounts payable and accrued liabilities	<u>184,063</u>	<u>183,773</u>
Total current liabilities	190,652	193,797
Long-term debt	20,121	32,310
Other liabilities	40,694	27,634
Photronics, Inc. shareholders' equity	961,212	831,527
Noncontrolling interests	<u>290,664</u>	<u>230,562</u>
Total equity	<u>1,251,876</u>	<u>1,062,089</u>
Total liabilities and equity	\$ 1,503,343	\$ 1,315,830

PHOTRONICS, INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

Nine Months Ended

	<u>July 30, 2023</u>	<u>July 31, 2022</u>
Cash flows from operating activities:		
Net income	\$ 136,478	\$ 123,978
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	59,523	61,210
Share-based compensation	5,874	4,623
Changes in operating assets, liabilities and other	<u>(6,319)</u>	<u>6,110</u>
Net cash provided by operating activities	<u>195,556</u>	<u>195,921</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(78,813)	(46,337)
Purchases of available-for-sale debt securities	(9,837)	-
Proceeds from maturity of available-for-sale debt securities	22,500	-
Government incentives	2,033	1,394
Other	<u>(116)</u>	<u>(179)</u>
Net cash used in investing activities	<u>(64,233)</u>	<u>(45,122)</u>
Cash flows from financing activities:		
Repayments of debt	(16,351)	(51,917)
Purchases of treasury stock	-	(2,522)
Contributions from noncontrolling interest	-	24,995
Proceeds from share-based arrangements	1,241	5,505
Net settlements of restricted stock awards	<u>(1,292)</u>	<u>(1,463)</u>
Net cash used in financing activities	<u>(16,402)</u>	<u>(25,402)</u>
Effects of exchange rate changes on cash, cash equivalents, and restricted cash	<u>13,813</u>	<u>(21,308)</u>
Net increase in cash, cash equivalents, and restricted cash	128,734	104,089
Cash, cash equivalents, and restricted cash, beginning of period	<u>322,409</u>	<u>279,680</u>
Cash, cash equivalents, and restricted cash, end of period	\$ 451,143	<u>\$ 383,769</u>

PHOTRONICS, INC.
Reconciliation of GAAP to Non-GAAP Financial Information
(in thousands)
(Unaudited)

	<u>Three Months ended</u>		
	<u>July 30, 2023</u>	<u>April 30, 2023</u>	<u>July 31, 2022</u>
Reconciliation of GAAP to Non-GAAP Non-operating (loss) Income:			
GAAP Non-operating (loss) income, net	\$ (911)	\$ 13,571	\$ 3,641
FX (gain) loss	<u>4,543</u>	<u>(10,718)</u>	<u>(3,862)</u>
Non-GAAP Non-operating (loss) income, net	\$ 3,632	\$ 2,853	\$ (221)
Reconciliation of GAAP to Non-GAAP Income tax provision:			
GAAP Income tax provision	\$ 16,098	\$ 21,343	\$ 18,146

Estimated tax effects of FX (gain) loss	(1,193)	2,823	955
Non-GAAP Income tax provision	\$ 17,291	\$ 18,520	\$ 17,191

Reconciliation of GAAP to Non-GAAP Noncontrolling interests:

GAAP Noncontrolling interests	\$ 21,296	\$ 19,344	\$ 17,994
Estimated noncontrolling interest effects of above	1,328	901	527
Non-GAAP Noncontrolling interests	\$ 19,968	\$ 18,443	\$ 17,467

Reconciliation of GAAP to Non-GAAP Net Income:

GAAP Net Income	\$ 26,959	\$ 39,929	\$ 31,230
FX (gain) loss	4,543	(10,718)	(3,862)
Estimated tax effects of above	(1,193)	2,823	955
Estimated noncontrolling interest effects of above	1,328	901	527
Non-GAAP Net Income	\$ 31,637	\$ 32,935	\$ 28,850

Weighted-average number of common shares outstanding - Diluted	61,974	61,507	61,299
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Reconciliation of GAAP to Non-GAAP EPS:

GAAP diluted earnings per share	\$ 0.44	\$ 0.65	\$ 0.51
Effects of the above adjustments	\$ 0.07	\$ (0.11)	\$ (0.04)
Non-GAAP diluted earnings per share	\$ 0.51	\$ 0.54	\$ 0.47

PHOTRONICS, INC.
Reconciliation of GAAP to Non-GAAP Financial Information (cont.)
(in thousands)
(Unaudited)

Reconciliation of Net cash provided by operating activities to Free Cash Flow

	Nine Months ended July 30, 2023
GAAP Net cash provided by operating activities	\$ 195,556
Purchases of property, plant and equipment	(78,813)
Free Cash Flow	\$ 116,743

Reconciliation of Cash and cash equivalents to Net Cash:

	As of		
	July 30, 2023	October 31, 2022	July 31, 2022
Cash and cash equivalents	\$ 448,479	\$ 319,680	\$ 380,833
Current portion of Long-term debt	(6,589)	(10,024)	(10,727)

Long-term Debt	(20,121)	(32,310)	(46,589)
Net Cash	<u>\$ 421,769</u>	<u>\$ 277,346</u>	<u>\$ 323,517</u>



Source: Photronics, Inc.