



Photronics Reports Third Quarter Fiscal 2018 Results

August 22, 2018

- Third quarter 2018 revenue was \$136.4 million, up 22% year-over-year and 4% sequentially
- High-end IC revenue nearly doubled, improving 94% year-over-year on strong demand from Asia foundries
- Net income attributable to Photronics, Inc. shareholders was \$13.0 million, or \$0.18 per diluted share
- Cash balance increased to \$333 million, with strong operating cash flow of \$49.0 million
- Returned \$6.8 million to shareholders through share repurchase program
- Fourth quarter 2018 guidance: revenue between \$133 and \$141 million with diluted EPS between \$0.14 and \$0.19

BROOKFIELD, Conn., Aug. 22, 2018 (GLOBE NEWSWIRE) -- [Photronics, Inc.](http://www.photronics.com) (NASDAQ:PLAB), a worldwide leader in supplying innovative imaging technology solutions for the global electronics industry, today reported financial results for its fiscal 2018 third quarter ended July 29, 2018.

Third quarter revenue was \$136.4 million, improving 22% compared with the same quarter last year and 4% compared with the previous quarter. Integrated circuit (IC) revenue was \$107.2 million, up 26% compared with last year and 5% sequentially. Flat panel display (FPD) revenue was \$29.1 million, up 10% compared with last year and 2% sequentially.

Net income attributable to Photronics, Inc. shareholders was \$13.0 million (\$0.18 per diluted share), compared with \$4.0 million (\$0.06 per diluted share) for the third quarter of 2017 and \$10.7 million (\$0.15 per diluted share) for the second quarter of 2018. Results for the third quarter of 2018 includes a \$2 million one-time tax benefit (\$0.01 per diluted share).

"During the third quarter, demand remained strong across nearly all our end markets, and we benefitted from successfully repositioning the business to take advantage of growing markets in China and demand from captives," said Peter Kirlin, chief executive officer. "High-end IC once again was the primary contributor to growth, nearly doubling compared with last year, up 94%. For FPD, sales of both AMOLED and LTPS LCD photomasks increased, primarily for mobile applications. With the increase in revenue, we expanded margins through operating leverage and cost control, delivering 15% operating margin. In addition to strong revenue and income growth, our cash balance increased to \$333 million, demonstrating once again our ability to generate strong cash from operations. Our balance sheet is very healthy as we approach the peak of our China investment over the next two quarters, and we have begun to return cash to our shareholders through the initiation of a share repurchase program last quarter. We have increased our momentum heading into the end of fiscal 2018, and are now in an even stronger position to ramp our China facilities in 2019."

Fourth Quarter 2018 Guidance

For the fourth quarter of 2018, Photronics expects revenue to be between \$133 million and \$141 million, and net income attributable to Photronics, Inc. shareholders to be between \$0.14 and \$0.19 per diluted share.

Conference Call

A conference call to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, August 22, 2018. The call can be accessed by logging onto Photronics' web site at www.photronics.com. The live dial-in number is (877) 377-7095 or (408) 774-4601 outside of the United States and Canada. The call will be archived on Photronics' web site for instant replay access.

About Photronics

[Photronics](http://www.photronics.com) is a leading worldwide manufacturer of [photomasks](http://www.photronics.com). Photomasks are high precision quartz plates that contain microscopic images of electronic circuits. A key element in the manufacture of semiconductors and flat panel displays, photomasks are used to transfer circuit patterns onto semiconductor wafers and flat panel display substrates during the fabrication of integrated circuits, a variety of flat panel displays and, to a lesser extent, other types of electrical and optical components. They are produced in accordance with product designs provided by customers at strategically located [manufacturing facilities](http://www.photronics.com) in Asia, Europe, and North America. Additional information on the Company can be accessed at www.photronics.com.

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements made by or on behalf of Photronics, Inc. and its subsidiaries (the Company). The forward-looking statements contained in this press release and other parts of Photronics' web site involve risks and uncertainties that may affect the Company's operations, markets, products, services, prices, and other factors. These risks and uncertainties include, but are not limited to, economic, competitive, legal, governmental, and technological factors as well as decisions we may make in the future regarding our business, capital structure and other matters. These forward-looking statements generally can be identified by phrases such as "believes", "expects", "anticipates", "plans", "projects", and similar expressions. Accordingly, there is no assurance that the Company's expectations will be realized. For a fuller discussion of the factors that may affect the Company's operations, see "Forward Looking Statements" in the Company's Quarterly and Annual Reports to the Securities and Exchange Commission on Forms 10-Q and 10-K. The Company assumes no obligation to provide revisions to any forward-looking statements.

For Further Information:

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

	Three Months Ended			Nine Months Ended	
	July 29, 2018	April 29, 2018	July 30, 2017	July 29, 2018	July 30, 2017
Revenue	\$ 136,391	\$ 130,779	\$ 111,579	\$ 390,616	\$ 329,707
Cost of goods sold	(100,794)	(97,960)	(89,862)	(294,538)	(264,835)
Gross profit	35,597	32,819	21,717	96,078	64,872
Operating Expenses:					
Selling, general and administrative	(12,504)	(13,637)	(11,639)	(37,891)	(33,403)
Research and development	(2,653)	(3,817)	(4,812)	(10,574)	(12,023)
Total Operating Expenses	(15,157)	(17,454)	(16,451)	(48,465)	(45,426)
Operating income	20,440	15,365	5,266	47,613	19,446
Other income (expense), net	1,411	3,332	(134)	637	(5,839)
Income before income taxes	21,851	18,697	5,132	48,250	13,607
Income tax provision	(2,054)	(3,508)	(333)	(3,783)	(2,814)
Net income	19,797	15,189	4,799	44,467	10,793
Net income attributable to noncontrolling interests	(6,792)	(4,524)	(798)	(14,899)	(3,048)
Net income attributable to Photonics, Inc. shareholders	<u>\$ 13,005</u>	<u>\$ 10,665</u>	<u>\$ 4,001</u>	<u>\$ 29,568</u>	<u>\$ 7,745</u>
Earnings per share:					
Basic	<u>\$ 0.19</u>	<u>\$ 0.15</u>	<u>\$ 0.06</u>	<u>\$ 0.43</u>	<u>\$ 0.11</u>
Diluted	<u>\$ 0.18</u>	<u>\$ 0.15</u>	<u>\$ 0.06</u>	<u>\$ 0.41</u>	<u>\$ 0.11</u>
Weighted-average number of common shares outstanding:					
Basic	<u>69,374</u>	<u>69,293</u>	<u>68,525</u>	<u>69,141</u>	<u>68,376</u>
Diluted	<u>75,258</u>	<u>75,190</u>	<u>69,380</u>	<u>75,121</u>	<u>69,311</u>

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

	<u>July 29, 2018</u>	<u>October 29, 2017</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 332,739	\$ 308,021
Accounts receivable	118,727	105,320
Inventories	31,756	23,703
Other current assets	21,698	12,080
Total current assets	504,920	449,124
Property, plant and equipment, net	546,688	535,197
Intangible assets, net	13,507	17,122
Other assets	22,897	19,351
Total assets	<u>\$ 1,088,012</u>	<u>\$ 1,020,794</u>
Liabilities and Equity		
Current liabilities:		
Current portion of long-term borrowings	\$ 57,893	\$ 4,639
Accounts payable and accrued liabilities	100,949	77,137
Total current liabilities	158,842	81,776
Long-term borrowings	-	57,337
Other liabilities	15,657	16,386
Photronics, Inc. shareholders' equity	770,810	744,564
Noncontrolling interests	142,703	120,731
Total equity	<u>913,513</u>	<u>865,295</u>
Total liabilities and equity	<u>\$ 1,088,012</u>	<u>\$ 1,020,794</u>

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

Nine Months Ended

	July 29, 2018	July 30, 2017
Cash flows from operating activities:		
Net income	\$ 44,467	\$ 10,793
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	64,485	64,081
Changes in operating assets, liabilities and other	(21,995)	(1,085)
Net cash provided by operating activities	<u>86,957</u>	<u>73,789</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(64,372)	(38,759)
Acquisition of business	-	(5,400)
Proceeds from sale of investments	-	167
Other	453	(458)
Net cash used in investing activities	<u>(63,919)</u>	<u>(44,450)</u>
Cash flows from financing activities:		
Repayments of long-term borrowings	(4,170)	(4,057)
Dividends paid to noncontrolling interests	(8,166)	(8,298)
Purchase of treasury stock	(6,787)	-
Contribution from noncontrolling interest	17,996	-
Proceeds from share-based arrangements	4,028	2,529
Other	(273)	(33)
Net cash provided by (used in) financing activities	<u>2,628</u>	<u>(9,859)</u>
Effect of exchange rate changes on cash	<u>(948)</u>	<u>7,018</u>
Net increase in cash and cash equivalents	24,718	26,498
Cash and cash equivalents, beginning of period	<u>308,021</u>	<u>314,074</u>
Cash and cash equivalents, end of period	<u>\$ 332,739</u>	<u>\$ 340,572</u>



Source: Photronics, Inc.