

Photronics Reports Fourth Quarter Fiscal 2018 Results

December 12, 2018

- Fourth quarter 2018 revenue was a record \$144.7 million, up 20% year-over-year and 6% sequentially
- Record FPD revenue of \$33.8 million on strong high-end AMOLED demand
- Full-year 2018 revenue was a record \$535.3 million, up 19% over the previous year
- Net income attributable to Photronics, Inc. shareholders was \$12.5 million, or \$0.18 per diluted share
- Cash balance was \$329 million, with strong operating cash flow of \$43.6 million and capex of \$28.2 million
- Returned \$16.3 million to shareholders through share repurchase program
- First quarter 2019 guidance: revenue between \$120 and \$130 million with diluted EPS between \$0.01 and \$0.07

BROOKFIELD, Conn., Dec. 12, 2018 (GLOBE NEWSWIRE) -- [Photronics, Inc.](#) (NASDAQ:PLAB), a worldwide leader in supplying innovative imaging technology solutions for the global electronics industry, today reported financial results for its fiscal 2018 fourth quarter ended October 31, 2018.

Fourth quarter revenue was a record \$144.7 million, improving 20% compared with the same quarter last year and 6% compared with the previous quarter. Integrated circuit (IC) revenue was \$110.9 million, up 15% compared with last year and 3% sequentially. Flat panel display (FPD) revenue was a record \$33.8 million, up 36% compared with last year and 16% sequentially.

Net income attributable to Photronics, Inc. shareholders was \$12.5 million (\$0.18 per diluted share), compared with \$5.4 million (\$0.08 per diluted share) for the fourth quarter of 2017 and \$13.0 million (\$0.18 per diluted share) for the third quarter of 2018. Results for the third quarter of 2018 included a \$2 million one-time tax benefit (\$0.01 per diluted share).

"We achieved record revenue during the fourth quarter, with growth in both IC and FPD, as mask demand remained strong and we continued to benefit from our successful repositioning of the business," said Peter Kirlin, chief executive officer. "Record revenue in FPD was accomplished through growth in high-end AMOLED, strong demand in Korea and solid demand in China. Within IC, high-end memory increased sequentially while high-end logic decreased as our customers experienced softening demand in their end markets. While revenue increased, margins were slightly down due to tool relocation expenses, startup costs in China, and shifts in product mix. We believe all of these are temporary and margins should improve as high-end IC strengthens and our China startup is complete. Despite lower margins, we generated strong cash from operations and were able to defer some capex payments into the first quarter, maintaining a high cash balance. We are well positioned heading into 2019 to ramp our China factories and continue with the next phase of profitable growth."

First Quarter 2019 Guidance

For the first quarter of 2019, Photronics expects revenue to be between \$120 million and \$130 million, and net income attributable to Photronics, Inc. shareholders to be between \$0.01 and \$0.07 per diluted share.

Conference Call

A conference call to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, December 12, 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](#) is a leading worldwide manufacturer of [photomasks](#). 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](#) 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, political, 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.

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

	Three Months Ended			Year Ended	
	October 31, 2018	July 29, 2018	October 29, 2017	October 31, 2018	October 29, 2017
Revenue	\$ 144,660	\$ 136,391	\$ 120,971	\$ 535,276	\$ 450,678
Cost of goods sold	(109,236)	(100,794)	(94,529)	(403,773)	(359,363)
Gross profit	35,424	35,597	26,442	131,503	91,315
Operating Expenses:					
Selling, general and administrative	(13,504)	(12,504)	(10,182)	(51,395)	(43,585)
Research and development	(3,906)	(2,653)	(3,838)	(14,481)	(15,862)
Total Operating Expenses	(17,410)	(15,157)	(14,020)	(65,876)	(59,447)
Operating income	18,014	20,440	12,422	65,627	31,868
Other income (expense), net	2,307	1,411	536	2,944	(5,303)
Income before income taxes	20,321	21,851	12,958	68,571	26,565
Income tax provision	(3,552)	(2,054)	(2,462)	(7,335)	(5,276)
Net income	16,769	19,797	10,496	61,236	21,289
Net income attributable to noncontrolling interests	(4,282)	(6,792)	(5,110)	(19,181)	(8,159)
Net income attributable to Photonics, Inc. shareholders	\$ 12,487	\$ 13,005	\$ 5,386	\$ 42,055	\$ 13,130
Earnings per share:					
Basic	\$ 0.18	\$ 0.19	\$ 0.08	\$ 0.61	\$ 0.19
Diluted	\$ 0.18	\$ 0.18	\$ 0.08	\$ 0.59	\$ 0.19
Weighted-average number of common shares outstanding:					
Basic	67,894	69,374	68,615	68,829	68,436
Diluted	73,921	75,258	69,218	74,821	69,288

PHOTRONICS, INC. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(in thousands)

(Unaudited)

	October 31, 2018	October 29, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 329,277	\$ 308,021
Accounts receivable	120,515	105,320
Inventories	29,180	23,703
Other current assets	23,759	12,080
Total current assets	502,731	449,124
Property, plant and equipment, net	571,781	535,197
Intangible assets, net	12,368	17,122
Other assets	23,129	19,351
Total assets	\$ 1,110,009	\$ 1,020,794
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	\$ 57,453	\$ 4,639
Accounts payable and accrued liabilities	133,623	77,137
Total current liabilities	191,076	81,776
Long-term debt	-	57,337
Other liabilities	14,364	16,386
Photronics, Inc. shareholders' equity	759,671	744,564
Noncontrolling interests	144,898	120,731
Total equity	904,569	865,295
Total liabilities and equity	\$ 1,110,009	\$ 1,020,794

PHOTRONICS, INC. AND SUBSIDIARIES**Condensed Consolidated Statements of Cash Flows**

(in thousands)

(Unaudited)

	Year Ended October 31, 2018	October 29, 2017
Cash flows from operating activities:		
Net income	\$ 61,236	\$ 21,289
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	84,333	86,573
Changes in operating assets, liabilities and other	(15,002)	(11,029)
Net cash provided by operating activities	130,567	96,833

Cash flows from investing activities:			
Purchases of property, plant and equipment	(92,585	)	(91,965
Acquisition of business	-	)	(5,400
Proceeds from sale of investments	-	)	167
Other	1,856	)	(868
Net cash used in investing activities	(90,729	)	(98,066
Cash flows from financing activities:			
Repayments of long-term debt	(4,639	)	(5,428
Dividends paid to noncontrolling interests	(8,166	)	(8,298
Purchase of treasury stock	(23,111)	-
Contribution from noncontrolling interest	17,996)	-
Proceeds from share-based arrangements	4,634	)	2,830
Other	(519	)	(32
Net cash used in financing activities	(13,805	)	(10,928
Effect of exchange rate changes on cash	(4,777	)	6,108
Net increase (decrease) in cash and cash equivalents	21,256	)	(6,053
Cash and cash equivalents, beginning of period	308,021	)	314,074
Cash and cash equivalents, end of period	\$ 329,277	)	\$ 308,021



Source: Photronics, Inc.