

Photronics Reports First Quarter Fiscal 2019 Results

February 21, 2019

- First quarter 2019 revenue was \$124.7 million, up 1% year-over-year and down 14% sequentially
- Net income attributable to Photronics, Inc. shareholders was \$5.3 million, or \$0.08 per diluted share
- Cash balance was \$232 million, with capital expenditures of \$107 million as China investments peaked
- Repurchased 1.1 million shares for \$10.7 million; cumulative repurchase of 3.7 million shares for \$33.8 million since July 2018¹
- Second quarter 2019 guidance: revenue between \$125 and \$135 million with diluted EPS between \$0.03 and \$0.10

BROOKFIELD, Conn., Feb. 21, 2019 (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 2019 first quarter ended January 27, 2019.

First quarter revenue was \$124.7 million, 1% better than the same quarter last year and 14% lower than the previous quarter. Integrated circuit (IC) revenue was \$94.9 million, down 1% compared with last year and 14% sequentially. Flat panel display (FPD) revenue was \$29.8 million, up 7% compared with last year and down 12% sequentially.

Net income attributable to Photronics, Inc. shareholders was \$5.3 million (\$0.08 per diluted share), compared with \$5.9 million (\$0.09 per diluted share) for the first quarter of 2018 and \$12.5 million (\$0.18 per diluted share) for the fourth quarter of 2018.

"First quarter revenue met our expectations as strong results in AMOLED displays in China were somewhat offset by anticipated impact of seasonal softness, macroeconomic headwinds, and six fewer days than the fourth quarter of 2018," said Peter Kirilin, chief executive officer. "We saw weaker demand in IC, for both high-end and mainstream, due to semiconductor industry macro headwinds and seasonal softness. For FPD, AMOLED demand was solid once again as new product development and introduction continues. Pressure from lower revenue and startup expenses in China resulted in overall gross and operating margin of 20.9% and 6.5%, respectively. Cash balance at the end of the quarter was \$232 million as we invested \$107 million in capital expenditures, primarily for China. Work on our new China facilities is progressing and we anticipate production to begin in Hefei during the second quarter."

Second Quarter 2019 Guidance

For the second quarter of 2019, Photronics expects revenue to be between \$125 million and \$135 million, and net income attributable to Photronics, Inc. shareholders to be between \$0.03 and \$0.10 per diluted share.

Conference Call

A conference call to discuss these results is scheduled for 8:30 a.m. Eastern time on Thursday, February 21, 2019. 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.

1. The October 2018 share repurchase program of \$25 million has concluded.

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.

Condensed Consolidated Statements of Income

(in thousands, except per share amounts)

(Unaudited)

	Three Months Ended		
	January 27, 2019	October 31, 2018	January 28, 2018
Revenue	\$ 124,712	\$ 144,660	\$ 123,446
Cost of goods sold	98,610	109,236	95,784
Gross profit	26,102	35,424	27,662
Operating Expenses:			
Selling, general and administrative	13,792	13,504	11,750
Research and development	4,263	3,906	4,104
Total Operating Expenses	18,055	17,410	15,854
Operating income	8,047	18,014	11,808
Other income (expense), net	1,108	2,307	(4,105)
Income before income taxes	9,155	20,321	7,703
Income tax (provision) benefit	(1,387)	(3,552)	1,778
Net income	7,768	16,769	9,481
Net income attributable to noncontrolling interests	2,501	4,282	3,583
Net income attributable to Photonics, Inc. shareholders	\$ 5,267	\$ 12,487	\$ 5,898
Earnings per share:			
Basic	\$ 0.08	\$ 0.18	\$ 0.09
Diluted	\$ 0.08	\$ 0.18	\$ 0.09
Weighted-average number of common shares outstanding:			
Basic	66,583	67,894	68,755
Diluted	67,047	73,921	69,372

PHOTRONICS, INC.

Condensed Consolidated Balance Sheets

(in thousands)

(Unaudited)

**January 27,
2019** **October 31,
2018**

Assets

Current assets:		
Cash and cash equivalents	\$ 232,448	\$ 329,277
Accounts receivable	131,066	120,515
Inventories	27,874	29,180
Other current assets	61,618	23,759
Total current assets	453,006	502,731
Property, plant and equipment, net	656,873	571,781
Intangible assets, net	11,272	12,368
Other assets	24,743	23,129
Total assets	\$ 1,145,894	\$ 1,110,009

Liabilities and Equity

Current liabilities:		
Current portion of long-term debt	\$ 61,647	\$ 57,453
Accounts payable and accrued liabilities	132,880	133,623
Total current liabilities	194,527	191,076
Long-term debt	24,484	-
Other liabilities	13,713	14,364
Photronics, Inc. shareholders' equity	761,088	759,671
Noncontrolling interests	152,082	144,898
Total equity	913,170	904,569
Total liabilities and equity	\$ 1,145,894	\$ 1,110,009

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

(in thousands)

(Unaudited)

	Three Months Ended	
	January 27, 2019	January 28, 2018
Cash flows from operating activities:		
Net income	\$ 7,768	\$ 9,481
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,781	22,363
Changes in operating assets, liabilities and other	(45,835)	(982)
Net cash (used in) provided by operating activities	(19,286)	30,862
Cash flows from investing activities:		
Purchases of property, plant and equipment	(106,925)	(10,995)
Government incentive	5,029	-
Other	19	(145)

Net cash used in investing activities	(101,877)	(11,140)
Cash flows from financing activities:		
Contribution from noncontrolling interest	29,394	11,998
Proceeds from long-term debt	28,180	-
Repayments of long-term debt	-	(1,381)
Dividends paid to noncontrolling interests	(26,102)	-
Purchase of treasury stock	(10,696)	-
Proceeds from share-based arrangements	650	798
Other	(45)	(261)
Net cash provided by financing activities	21,381	11,154
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	2,961	9,767
Net (decrease) increase in cash, cash equivalents, and restricted cash	(96,821)	40,643
Cash, cash equivalents, and restricted cash, beginning of period	331,989	310,936
Cash, cash equivalents, and restricted cash, end of period	\$ 235,168	\$ 351,579



Source: Photronics, Inc.