



Photronics Reports Second Quarter Fiscal 2019 Results

May 22, 2019

- Second quarter 2019 revenue was \$131.6 million, up 6% sequentially and 1% year-over-year
- Net income attributable to Photronics, Inc. shareholders was \$8.5 million, or \$0.13 per diluted share
- Cash balance was \$167.1 million, with capital expenditures of \$33.5 million primarily to fund China investments
- Repaid \$57.5 million convertible security, reducing total debt and eliminating 5.5 million potentially dilutive shares
- Celebrated grand opening of new Xiamen and Hefei facilities in China
- Shipped first G10.5+ photomask, marking entry into new, growing market
- Third quarter 2019 guidance: revenue between \$132 and \$142 million with diluted EPS between \$0.05 and \$0.14

BROOKFIELD, Conn., May 22, 2019 (GLOBE NEWSWIRE) -- [Photronics, Inc.](http://www.photronics.com) (NASDAQ:PLAB), a worldwide leader in photomask technologies and solutions, today reported financial results for its fiscal 2019 second quarter ended April 28, 2019.

Second quarter revenue was \$131.6 million, 6% better than the previous quarter and 1% better than the same quarter last year. Integrated circuit (IC) revenue was \$98.6 million, up 4% sequentially and down 4% compared with the second quarter of last year. Flat panel display (FPD) revenue was \$33.0 million, up 11% compared with last quarter and 16% compared with the same period last year.

Net income attributable to Photronics, Inc. shareholders was \$8.5 million (\$0.13 per diluted share), compared with \$5.3 million (\$0.08 per diluted share) for the first quarter of 2019 and \$10.7 million (\$0.15 per diluted share) for the second quarter of 2018.

"We performed well in the second quarter despite a challenging industry environment, delivering sequential growth in IC and strong sequential and year-over-year growth in FPD," said Peter Kirlin, chief executive officer. "The double-digit FPD growth resulted from a strong market for masks for mobile displays, including AMOLED and LTPS LCD, with a contribution from our first shipment of a G10.5+ photomask. In IC, we achieved sequential growth with the anticipated recovery in high-end memory. Startup activity in China impacted operating profit, resulting in operating margin of 7.0%. Cash at the end of the quarter was \$167.1 million after repayment of \$57.5 million in convertible debt, which eliminated 5.5 million potentially dilutive shares, and \$33.5 million in capital expenditures, primarily in China. Besides solid financial results, we celebrated the grand opening of our new Xiamen and Hefei facilities in China. We are excited to serve our customers in mainland China with locally produced reticles. With these milestones, we are on track to meet our 2020 targets of \$630 million revenue and \$0.80 earnings per share."

Third Quarter 2019 Guidance

For the third quarter of 2019, Photronics expects revenue to be between \$132 million and \$142 million, and net income attributable to Photronics, Inc. shareholders to be between \$0.05 and \$0.14 per diluted share.

Conference Call

A conference call to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, May 22, 2019. The call can be accessed by logging onto Photronics' website 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' website for instant replay access.

About Photronics

[Photronics](http://www.photronics.com) is a leading worldwide manufacturer of integrated circuit (IC) and flat panel display (FPD) [photomasks](http://www.photronics.com). 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 50 years. As of October 31, 2018, the company had 1,575 employees across 11 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 the company and its subsidiaries. The forward-looking statements contained in this press release 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. There is no assurance that the company's expectations will be realized. For additional information please see the company's quarterly and annual reports filed with the Securities and Exchange Commission. The company assumes no obligation to provide revisions to any forward-looking statements.

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

	Three Months Ended			Six Months Ended	
	April 28, 2019	January 27, 2019	April 29, 2018	April 28, 2019	April 29, 2018
Revenue	\$ 131,580	\$ 124,712	\$ 130,779	\$ 256,291	\$ 254,225
Cost of goods sold	105,570	98,610	97,960	204,179	193,744
Gross profit	26,010	26,102	32,819	52,112	60,481
Operating Expenses:					
Selling, general and administrative	13,269	13,792	13,637	27,061	25,387
Research and development	3,542	4,263	3,817	7,805	7,921
Total Operating Expenses	16,811	18,055	17,454	34,866	33,308
Operating income	9,199	8,047	15,365	17,246	27,173
Other income (expense), net	3,931	1,108	3,332	5,039	(774)
Income before income taxes	13,130	9,155	18,697	22,285	26,399
Income tax provision	3,278	1,387	3,508	4,665	1,729
Net income	9,852	7,768	15,189	17,620	24,670
Net income attributable to noncontrolling interests	1,373	2,501	4,524	3,874	8,107
Net income attributable to Photronics, Inc. shareholders	<u>\$ 8,479</u>	<u>\$ 5,267</u>	<u>\$ 10,665</u>	<u>\$ 13,746</u>	<u>\$ 16,563</u>
Earnings per share:					
Basic	\$ 0.13	\$ 0.08	\$ 0.15	\$ 0.21	\$ 0.24
Diluted	\$ 0.13	\$ 0.08	\$ 0.15	\$ 0.20	\$ 0.23
Weighted-average number of common shares outstanding:					
Basic	66,261	66,583	69,293	66,422	69,024
Diluted	<u>70,597</u>	<u>67,047</u>	<u>75,190</u>	<u>71,593</u>	<u>75,052</u>

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

	<u>April 28, 2019</u>	<u>October 31, 2018</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 167,066	\$ 329,277
Accounts receivable	123,371	120,515
Inventories	34,696	29,180
Other current assets	<u>76,555</u>	<u>23,759</u>
Total current assets	401,688	502,731
Property, plant and equipment, net	654,357	571,781
Intangible assets, net	10,182	12,368
Other assets	<u>19,011</u>	<u>23,129</u>
Total assets	<u>\$ 1,085,238</u>	<u>\$ 1,110,009</u>
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	\$ 505	\$ 57,453
Accounts payable and accrued liabilities	<u>138,779</u>	<u>133,623</u>
Total current liabilities	139,284	191,076
Long-term debt	35,921	-
Other liabilities	11,705	14,364
Photronics, Inc. shareholders' equity	763,568	759,671
Noncontrolling interests	<u>134,760</u>	<u>144,898</u>
Total equity	<u>898,328</u>	<u>904,569</u>
Total liabilities and equity	<u>\$ 1,085,238</u>	<u>\$ 1,110,009</u>

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

	<u>Six Months Ended</u>	
	<u>April 28, 2019</u>	<u>April 29, 2018</u>
Cash flows from operating activities:		
Net income	\$ 17,620	\$ 24,670

Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	38,515	44,429
Changes in operating assets, liabilities and other	<u>(58,422)</u>	<u>(31,191)</u>
Net cash (used in) provided by operating activities	<u>(2,287)</u>	<u>37,908</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(140,436)	(44,129)
Government incentive	5,698	-
Other	<u>(23)</u>	<u>296 *</u>
Net cash used in investing activities	<u>(134,761)</u>	<u>(43,833) *</u>
Cash flows from financing activities:		
Proceeds from debt	39,633	-
Contribution from noncontrolling interest	29,394	11,998
Repayments of debt	(61,220)	(2,771)
Dividends paid to noncontrolling interests	(26,102)	-
Purchase of treasury stock	(10,696)	-
Proceeds from share-based arrangements	1,033	3,776
Other	<u>(45)</u>	<u>(267)</u>
Net cash (used in) provided by financing activities	<u>(28,003)</u>	<u>12,736</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	<u>2,843</u>	<u>6,330 *</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash	(162,208)	13,141 *
Cash, cash equivalents, and restricted cash, beginning of period	<u>331,989 *</u>	<u>310,936 *</u>
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 169,781</u>	<u>\$ 324,077 *</u>

* Amount has been modified to reflect the adoption of ASU 2016-18

For Further Information:

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Source: Photonics, Inc.