Photronics Reports Third Quarter Fiscal 2019 Results

August 20, 2019

- Third quarter 2019 revenue was $138.1 million, up 5% sequentially and 1% year-over-year
- Net income attributable to Photronics, Inc. shareholders was $6.3 million, or $0.10 per diluted share
- Strong cash generation increased cash to $197 million, even as investments in China expansion continue
- Fourth quarter 2019 guidance: revenue between $143 and $151 million with diluted EPS between $0.11 and $0.17

BROOKFIELD, Conn., Aug. 20, 2019 (GLOBE NEWSWIRE) -- Photronics, Inc. (NASDAQ:PLAB), a worldwide leader in photomask technologies and solutions, today reported financial results for its fiscal 2019 third quarter ended July 28, 2019.

Financial Results Summary

$ Millions, except per share data	Q319	Q219	Q318	Q/Q	Y/Y
Revenue	138.1	131.6	136.4	5%	1%
Integrated circuit (IC) revenue	*100.2*	*98.6*	*107.2*	*2%*	*(7%)*
Flat panel display (FPD) revenue	*37.9*	*33.0*	*29.1*	*15%*	*30%*
Net income attributable to Photronics, Inc. shareholders	6.3	8.5	13.0	(25%)	(51%)
Diluted earnings per share	0.10	0.13	0.18	(0.03)	(0.08)

"We performed well during the third quarter of 2019, achieving record FPD revenue and delivering our eighth consecutive quarter of year-over-year revenue growth," said Peter Kirlin, chief executive officer. "FPD revenue growth was driven by continued strength in AMOLED display for mobile applications and ramping shipments from our new China facility. IC revenue grew sequentially due to improved demand from Asian foundries for mainstream nodes. Gross and operating margins improved sequentially as we were able to control costs despite China startup activity. Our cash balance grew during the quarter, demonstrating our ability to generate cash as we continue to invest in China. We are on pace to have an outstanding year in 2019 and positioned to perform even better in 2020 and beyond."

Fourth Quarter 2019 Guidance

For the fourth quarter of 2019, Photronics expects revenue to be between $143 million and $151 million, and net income attributable to Photronics, Inc. shareholders to be between $0.11 and $0.17 per diluted share.

Conference Call

A conference call to discuss these results is scheduled for 8:30 a.m. Eastern time on Tuesday, August 20, 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 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 50 years. As of October 31, 2018, the company had 1,575 employees across 11 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 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.

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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 28, 2019	April 28, 2019	July 29, 2018	July 28, 2019	July 29, 2018
Revenue	$ 138,112	$ 131,580	$ 136,391	$ 394,404	$ 390,616
Cost of goods sold	107,542	105,570	100,794	311,721	294,538
Gross profit	30,570	26,010	35,597	82,683	96,078
Operating Expenses:					
Selling, general and administrative	13,124	13,269	12,504	40,186	37,891
Research and development	4,046	3,542	2,653	11,852	10,574
Total Operating Expenses	17,170	16,811	15,157	52,038	48,465
Operating income	13,400	9,199	20,440	30,645	47,613
Other income (expense), net	(348)	3,931	1,411	4,692	637
Income before income taxes	13,052	13,130	21,851	35,337	48,250
Income tax provision	3,218	3,278	2,054	7,883	3,783
Net income	9,834	9,852	19,797	27,454	44,467
Net income attributable to noncontrolling interests	3,487	1,373	6,792	7,361	14,899
Net income attributable to Photronics, Inc. shareholders	$ 6,347	$ 8,479	$ 13,005	$ 20,093	$ 29,568
Earnings per share:					
Basic	$ 0.10	$ 0.13	$ 0.19	$ 0.30	$ 0.43
Diluted	$ 0.10	$ 0.13	$ 0.18	$ 0.30	$ 0.41
Weighted-average number of common shares outstanding:					
Basic	66,313	66,261	69,374	66,386	69,141
Diluted	66,570	70,597	75,258	69,919	75,121

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

	July 28, 2019	October 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 197,243	$ 329,277
Accounts receivable	134,369	120,515
Inventories	39,982	29,180
Other current assets	48,873	23,759
Total current assets	420,467	502,731
Property, plant and equipment, net	636,743	571,781
Intangible assets, net	9,013	12,368
Other assets	47,972	23,129
Total assets	$ 1,114,195	$ 1,110,009
Liabilities and Equity		
Current liabilities:		
Debt	$ 6,100	$ 57,453
Accounts payable and accrued liabilities	153,174	133,623
Total current liabilities	159,274	191,076
Long-term debt	43,015	-
Other liabilities	11,568	14,364
Photronics, Inc. shareholders' equity	763,394	759,671
Noncontrolling interests	136,944	144,898
Total equity	900,338	904,569
Total liabilities and equity	$ 1,114,195	$ 1,110,009

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

	Nine Months Ended	
	July 28, 2019	July 29, 2018
Cash flows from operating activities:		
Net income	$ 27,454	$ 44,467
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	60,387	64,485
Changes in operating assets, liabilities and other	(64,337)	(21,995)
Net cash provided by operating activities	23,504	86,957
Cash flows from investing activities:		
Purchases of property, plant and equipment	(160,149)	(64,372)
Government incentive	17,694	-
Other	(24)	313 *
Net cash used in investing activities	(142,479)	(64,059) *
Cash flows from financing activities:		
Proceeds from debt	53,227	-
Contribution from noncontrolling interest	29,394	17,997
Repayments of debt	(61,319)	(4,170)
Dividends paid to noncontrolling interests	(26,102)	(8,166)
Purchase of treasury stock	(10,696)	(6,787)
Proceeds from share-based arrangements	1,314	4,028
Other	(92)	(274)
Net cash (used in) provided by financing activities	(14,274)	2,628
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	1,206	(975) *
Net (decrease) increase in cash, cash equivalents, and restricted cash	(132,043)	24,551 *
Cash, cash equivalents, and restricted cash, beginning of period	331,989 *	310,936 *
Cash, cash equivalents, and restricted cash, end of period	$ 199,946	$ 335,487 *

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



Source: Photronics, Inc.