Photronics Reports Fourth Quarter Fiscal 2019 Results

December 11, 2019

- Fourth quarter 2019 revenue increased 13% sequentially and 8% year-over-year to $156.3 million, a record overall and for both IC and FPD photomasks
- Effective cost control and operating leverage at the increased revenue level helped expand operating margin to 13.7%
- Net income attributable to Photronics, Inc. shareholders was $9.7 million, or $0.15 per diluted share
- Cash provided by operating activities was $48.3 million, resulting in a cash balance of $206.5 million
- 1.0 million shares were repurchased for $11.0 million
- First quarter 2020 guidance: revenue between $146 and $154 million with diluted EPS between $0.13 and $0.18

BROOKFIELD, Conn., Dec. 11, 2019 (GLOBE NEWSWIRE) -- Photronics, Inc. (NASDAQ:PLAB), a worldwide leader in photomask technologies and solutions, today reported financial results for its fiscal 2019 fourth quarter ended October 31, 2019.

Fourth quarter revenue was $156.3 million, 13% better than the previous quarter and 8% better than the same quarter last year. Integrated circuit (IC) revenue was a record $112.5 million, up 12% sequentially and 1% compared with the fourth quarter of last year. Flat panel display (FPD) revenue of $43.7 million was also a record, up 15% compared with last quarter and 29% compared with the same period last year.

Net income attributable to Photronics, Inc. shareholders was $9.7 million ($0.15 per diluted share), compared with $6.3 million ($0.10 per diluted share) for the third quarter of 2019 and $12.5 million ($0.18 per diluted share) for the fourth quarter of 2018.

"Fourth quarter revenue was a record for us, marking the ninth consecutive quarter of year-over-year revenue growth and propelling us to record annual revenues for the second successive year. Design activity was robust across the majority of our customer base, and we continued to ramp production at two new manufacturing facilities in China," said Peter Kirlin, chief executive officer. "IC and FPD revenues were both a record. FPD benefited from strong mobile display markets and growing G10.5+ production, and IC saw an acceleration of design activity in China. Gross and operating margins improved sequentially due to high operating leverage and tight cost controls. During the quarter, we resumed our share repurchase activity while also growing our cash balance on strong operating cash generation. 2019 was a great year for Photronics, achieving record revenue, maintaining a strong balance sheet, demonstrating a commitment to return cash to our shareholders, and establishing a solid manufacturing presence in the rapidly growing China market. We are well positioned to build on this strength in 2020 and beyond."

First Quarter 2020 Guidance

For the first quarter of 2020, Photronics expects revenue to be between $146 million and $154 million, and net income attributable to Photronics, Inc. shareholders to be between $0.13 and $0.18 per diluted share.

Conference Call

A conference call to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, December 11, 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, 2019, the company had 1,775 employees. The company has 11 strategically located manufacturing facilities in Asia, Europe, and North America. Additional information on the company can be accessed at www.photronics.com.

Forward-Looking Statements

Certain statements in this press release constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. 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. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Photronics to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Statements preceded by, followed by or that otherwise include the words "believes," "expects," "anticipates," "intends," "projects," "estimates," "plans," "may increase," "may fluctuate," "will," "should," "would," "may" and "could" or similar words or expressions are generally forward-looking in nature and not historical facts. Any statements that refer to outlook, expectations or other characterizations of future events, circumstances or results, including all statements related to the operation or effects of the Section 382 Rights Plan and to the use of NOLs to offset future taxable income, are also forward-looking statements. Important risks, assumptions and other important factors that could cause future results to differ materially from those expressed in the forward-looking statements are specified in Photronics' Annual Report on Form 10-K for the year ended October 31, 2018 and its most recent Quarterly Report on Form 10-Q for the period ended July 28, 2019 under headings such as "Forward-Looking Statements", "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of

Operations" and in other filings and furnishings made by Photronics with the Securities and Exchange Commission from time to time. 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. Photronics undertakes no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. There is no assurance that Photronics' expectations will be realized.

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

	Three Months Ended			Year Ended	
	October 31, 2019	July 28, 2019	October 31, 2018	October 31, 2019	October 31, 2018
Revenue	$ 156,257	$ 138,112	$ 144,660	$ 550,660	$ 535,276
Cost of goods sold	118,098	107,542	109,236	429,819	403,773
Gross profit	38,159	30,570	35,424	120,841	131,503
Operating Expenses:					
Selling, general and administrative	12,140	13,124	13,504	52,326	51,395
Research and development	4,543	4,046	3,906	16,394	14,481
Total Operating Expenses	16,683	17,170	17,410	68,720	65,876
Operating income	21,476	13,400	18,014	52,121	65,627
Other (expense) income, net	(6,111)	(348)	2,307	(1,420)	2,944
Income before income taxes	15,365	13,052	20,321	50,701	68,571
Income tax provision	2,327	3,218	3,552	10,210	7,335
Net income	13,038	9,834	16,769	40,491	61,236
Net income attributable to noncontrolling interests	3,338	3,487	4,282	10,698	19,181
Net income attributable to Photronics, Inc. shareholders	$ 9,700	$ 6,347	$ 12,487	$ 29,793	$ 42,055
Earnings per share:					
Basic	$ 0.15	$ 0.10	$ 0.18	$ 0.45	$ 0.61
Diluted	$ 0.15	$ 0.10	$ 0.18	$ 0.44	$ 0.59

Weighted-average number of common shares outstanding:					
Basic	66,230	66,313	67,894	66,347	68,829
Diluted	66,862	66,570	73,921	69,155	74,821

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

	October 31, 2019	October 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 206,530	$ 329,277
Accounts receivable	134,454	120,515
Inventories	48,155	29,180
Other current assets	49,634	23,759
Total current assets	438,773	502,731
Property, plant and equipment, net	621,195	571,781
Intangible assets, net	7,870	12,368
Other assets	50,827	23,129
Total assets	$ 1,118,665	$ 1,110,009
Liabilities and Equity		
Current liabilities:		
Debt	$ 10,873	$ 57,453
Accounts payable and accrued liabilities	141,081	133,623
Total current liabilities	151,954	191,076
Long-term debt	41,887	-
Other liabilities	13,732	14,364
Photronics, Inc. shareholders' equity	769,892	759,671
Noncontrolling interests	141,200	144,898
Total equity	911,092	904,569
Total liabilities and equity	$ 1,118,665	$ 1,110,009

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

	Year Ended	
	October 31, 2019	October 31, 2018
Cash flows from operating activities:		
Net income	$ 40,491	$ 61,236
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	83,879	84,333
Share-based compensation	3,680	3,180
Changes in operating assets, liabilities and other	(56,210)	(18,182)
Net cash provided by operating activities	71,840	130,567
Cash flows from investing activities:		
Purchases of property, plant and equipment	(177,191)	(92,585)
Government incentives	22,364	1,005
Other	(33)	711
Net cash used in investing activities	(154,860)	(90,869)
Cash flows from financing activities:		
Proceeds from debt	54,633	-
Contribution from noncontrolling interest	29,394	17,996
Repayments of debt	(61,319)	(4,639)
Dividends paid to noncontrolling interests	(45,050)	(8,166)
Purchase of treasury stock	(21,696)	(23,111)
Proceeds from share-based arrangements	2,071	4,634
Other	(92)	(519)
Net cash used in financing activities	(42,059)	(13,805)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	2,381	(4,840)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(122,698)	21,053
Cash, cash equivalents, and restricted cash, beginning of period	331,989	310,936
Cash, cash equivalents, and restricted cash, end of period	$ 209,291	$ 331,989



Source: Photronics, Inc.