Photronics Reports First Quarter Fiscal 2023 Results

February 20, 2023

BROOKFIELD, Conn., Feb. 20, 2023 (GLOBE NEWSWIRE) -- Photronics, Inc. (NASDAQ:PLAB), a worldwide leader in photomask technologies and solutions, today reported financial results for its fiscal first quarter 2023 ended January 29, 2023.

“We made a great start to 2023 and grew revenue sequentially, as both IC and FPD high-end businesses improved due to ongoing design-driven demand,” said Frank Lee, chief executive officer. “IC growth was driven by high-end demand from Asian foundries; FPD benefited from increased G10.5+ demand and continued strength in mobile displays.

“Profit margins were somewhat softer than the previous quarter primarily due to less favorable mix and somewhat lower customer premiums to accelerate delivery. Operating cash generation continued strong, which enables us to continue investing in organic growth and maintain a strong balance sheet to support our strategy and help navigate economic uncertainty. I am proud of the performance of the entire Photronics team.”

First Quarter 2023 Results

- Revenue was $211.1 million up 0.4% sequentially and 11% year-over-year
- GAAP net income attributable to Photronics, Inc. shareholders was $14.0 million ($0.23 per diluted share), compared with $37.1 million ($0.60 per diluted share) in the fourth quarter of 2022 and $23.1 million ($0.38 per diluted share) in the first quarter 2022
- Non-GAAP net income attributable to Photronics, Inc. shareholders was $24.4 million ($0.40 per diluted share), compared with $31.2 million ($0.51 per diluted share) in the fourth quarter of 2022 and $19.2 million ($0.32 per diluted share) in the first quarter 2022
- IC revenue was $156.6 million, up 0.2% sequentially and 21% year-over-year
- FPD revenue was $54.5 million, up 1% sequentially and 9% less than same quarter last year
- Cash generated from operating activities was $28 million, and cash invested in growth through capital expenditures was $31 million

Second Quarter 2023 Guidance

For the second quarter of 2023, Photronics expects revenue to be between $205 million and $215 million and net income attributable to Photronics, Inc. shareholders to be between $0.38 and $0.48 per diluted share.

Webcast

A webcast to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, February 22, 2023. The call will be broadcast live and on-demand on the Events and Presentations link on the Photronics website. Analysts and investors who wish to participate in the Q&A portion of the call should click here. It is suggested that participants register fifteen minutes prior to the call's scheduled start time.

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 over 50 years. As of October 31, 2022, the company had 1,828 employees. The company operates 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” regarding our industry, our strategic position, and our financial and operating results. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results, performance or achievements to differ materially. Please refer to the documents we file with the Securities and Exchange Commission. These documents contain and identify important factors that could cause our actual results to differ materially from those contained in these forward-looking statements. These certain factors can be found at www.photronics.com/riskfactors. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. We are under no duty to update any of the forward-looking statements after the date of this release to conform these statements to actual results.

Non-GAAP Financial Measures

Non-GAAP Net Income attributable to Photronics, Inc. shareholders and non-GAAP earnings per share, Free Cash Flow, LTM Free Cash Flow, and Net Cash are “non-GAAP financial measures” as such term is defined by the Securities and Exchange Commission, and may differ from similarly named non-GAAP financial measures used by other companies. The attached financial supplement reconciles Photronics, Inc. financial results under GAAP to non-GAAP financial information. We believe these non-GAAP financial measures that exclude certain items are useful for analysts and

investors to evaluate our future on-going performance because they enable a more meaningful comparison of our projected performance with our historical results. These non-GAAP metrics are not intended to represent funds available for our discretionary use and are not intended to represent, or be used as a substitute for, gross profit, operating income, net income, cash and cash equivalents, or cash flows from operations, as measured under GAAP. The items excluded from these non-GAAP metrics, but included in the calculation of their closest GAAP equivalent, are significant components of the condensed consolidated balance sheets and statement of cash flows and must be considered in performing a comprehensive assessment of overall financial performance. Please refer to the non-GAAP reconciliations on the following page.

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

	Three Months Ended		
	January 29, 2023	**October 31, 2022**	**January 30, 2022**
Revenue	$ 211,090	$ 210,266	$ 189,827
Cost of goods sold	135,013	129,997	129,964
Gross Profit	76,077	80,269	59,863
Operating Expenses:			
Selling, general and administrative	16,818	15,683	15,727
Research and development	3,302	4,045	5,939
Total Operating Expenses	20,120	19,728	21,666
Operating Income	55,957	60,541	38,197
Non-operating (loss) income, net	(14,425)	10,797	4,707
Income Before Income Tax Provision	41,532	71,338	42,904
Income tax provision	12,582	16,074	11,178
Net Income	28,950	55,264	31,726
Net income attributable to noncontrolling interests	14,964	18,204	8,662
Net income attributable to Photronics, Inc. shareholders	$ 13,986	$ 37,060	$ 23,064
Earnings per share:			
Basic	$ 0.23	$ 0.61	$ 0.38
Diluted	$ 0.23	$ 0.60	$ 0.38
Weighted-average number of common shares outstanding:			
Basic	60,894	60,773	60,158
Diluted	61,470	61,374	60,936

PHOTRONICS, INC.
Condensed Consolidated Balance Sheets

(in thousands)
(Unaudited)

	January 29, 2023	October 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 334,792	$ 319,680
Short-term investments	39,199	38,820
Accounts receivable	220,692	198,147
Inventories	52,796	50,753
Other current assets	53,337	37,252
Total current assets	700,816	644,652
Property, plant and equipment, net	710,927	643,873
Other assets	29,937	27,305
Total assets	$ 1,441,680	$ 1,315,830
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	$ 6,541	$ 10,024
Accounts payable and accrued liabilities	192,790	183,773
Total current liabilities	199,331	193,797
Long-term debt	27,323	32,310
Other liabilities	32,306	27,634
Photronics, Inc. shareholders' equity	920,765	831,527
Noncontrolling interests	261,955	230,562
Total equity	1,182,720	1,062,089
Total liabilities and equity	$ 1,441,680	$ 1,315,830

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

	Three Months Ended	
	January 29, 2023	January 30, 2022
Cash flows from operating activities:		
Net income	$ 28,950	$ 31,726
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,105	20,810
Share-based compensation	1,821	1,457
Changes in operating assets, liabilities and other	(22,196)	5,137

Net cash provided by operating activities	27,680	59,130
Cash flows from investing activities:		
Purchases of property, plant and equipment	(31,097)	(19,175)
Government incentives	1,014	-
Other	(87)	(43)
Net cash used in investing activities	(30,170)	(19,218)
Cash flows from financing activities:		
Repayments of debt	(9,218)	(15,192)
Purchases of treasury stock	-	(2,522)
Contributions from noncontrolling interest	-	14,997
Proceeds from share-based arrangements	672	3,840
Net settlements of restricted stock awards	(1,168)	(1,458)
Net cash used in financing activities	(9,714)	(335)
Effects of exchange rate changes on cash, cash equivalents, and restricted cash	27,499	(2,057)
Net increase in cash, cash equivalents, and restricted cash	15,295	37,520
Cash, cash equivalents, and restricted cash, beginning of period	322,409	279,680
Cash, cash equivalents, and restricted cash, end of period	$ 337,704	$ 317,200

PHOTRONICS, INC.
Reconciliation of GAAP to Non-GAAP Financial Information
(in thousands)
(Unaudited)

	Three Months ended		
	January 29, 2023	**October 31, 2022**	**January 30, 2022**
Reconciliation of GAAP to Non-GAAP Net Income:			
GAAP Net Income	$ 13,986	$ 37,060	$ 23,064
FX (gain) loss	16,944	(10,369)	(5,268)
Estimated tax effects of above	(4,506)	2,522	1,337
Estimated noncontrolling interest effects of above	(2,060)	1,990	96
Non-GAAP Net Income	$ 24,364	$ 31,203	$ 19,229
Weighted-average number of common shares outstanding - Diluted	61,470	61,374	60,936
Reconciliation of GAAP to Non-GAAP EPS:			
GAAP diluted earnings per share	$ 0.23	$ 0.60	$ 0.38
Effects of the above adjustments	$ 0.17	$ (0.10)	$ (0.06)
Non-GAAP diluted earnings per share	$ 0.40	$ 0.51	$ 0.32

Note: Totals may differ due to rounding.

PHOTRONICS, INC.
Reconciliation of GAAP to Non-GAAP Financial Information (cont.)

(in thousands)
(Unaudited)

Reconciliation of Net cash provided by operating activities to Free Cash Flow

	Three Months ended	Year ended		
	January 29, 2023	October 31, 2022	October 31, 2021	Target Model Two-year Horizon
GAAP Net cash provided by operating activities	$ 27,680	$ 275,187	$ 150,772	$ 350,000 - 400,000
Purchases of property, plant and equipment	(31,097)	(112,338)	(109,099)	(100,000)
Government Incentives	1,014	3,615	5,775	-
Free Cash Flow	$ (2,403)	$ 166,464	$ 47,448	$ 250,000 - 300,000

Reconciliation of Free Cash flow to LTM Free Cash Flow:

	Free Cash Flow
Three Months ended January 29, 2023	$ (2,403)
Year-ended October 31, 2022	166,464
Three Months ended January 30, 2022	(39,955)
LTM January 29, 2023	$ 124,106

Reconciliation of Cash and cash equivalents to Net Cash:

	As of		
	January 29, 2023	October 31, 2022	January 30, 2022
Cash and cash equivalents	$ 334,792	$ 319,680	$ 314,195
Short-term investments	39,199	38,820	-
Current portion of Long-term debt	(6,541)	(10,024)	(18,307)
Long-term Debt	(27,323)	(32,310)	(78,540)
Net Cash	$ 340,127	$ 316,166	$ 217,348

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Source: Photronics, Inc.