Photronics Reports Second Quarter Fiscal 2023 Results

May 24, 2023

BROOKFIELD, Conn., May 24, 2023 (GLOBE NEWSWIRE) -- Photronics, Inc. (NASDAQ:PLAB), a worldwide leader in photomask technologies and solutions, today reported financial results for its second quarter of fiscal year 2023 ended April 30, 2023.

“We achieved record revenue in the second quarter with growth across IC and FPD as demand for our design-driven product remained high,” said Frank Lee, chief executive officer. “Mainstream IC demand remained robust across all regions, especially Asia and the US. FPD demand was driven primarily by AMOLED for advanced mobile displays as that technology continues to be adopted across new devices. Profit margins expanded on positive volume leverage, pricing, favorable mix, and tight control of cost. Cash generated from operating activities was very strong, enabling us to strengthen our balance sheet while also investing in organic growth. We are on pace for another great year in 2023 and to deliver on our long-term financial goals. I am confident that our team will continue to perform well to create value for our shareholders.”

Second Quarter Fiscal 2023 Results

- Revenue was $229.3 million up 9% sequentially and 12% year-over-year
- GAAP net income attributable to Photronics, Inc. shareholders was $39.9 million ($0.65 per diluted share), compared with $14.0 million ($0.23 per diluted share) in the first quarter of 2023 and $27.4 million ($0.45 per diluted share) in the second quarter 2022
- Non-GAAP net income attributable to Photronics, Inc. shareholders was $32.9 million ($0.54 per diluted share), compared with $24.4 million ($0.40 per diluted share) in the first quarter of 2023 and $23.1 million ($0.38 per diluted share) in the second quarter 2022
- IC revenue was $167.1 million, up 7% sequentially and 15% year-over-year
- FPD revenue was $62.3 million, up 14% sequentially and 6% more than same quarter last year
- Cash generated from operating activities was $82 million, and cash invested in growth through capital expenditures was $27 million
- Cash balance at the end of the quarter was $367.5 million with debt of $28 million, providing funds and available liquidity to support our growth investments

Third Quarter Fiscal 2023 Guidance

For the third quarter of fiscal 2023, Photronics expects revenue to be between $224 million and $234 million and non-GAAP net income attributable to Photronics, Inc. shareholders to be between $0.48 and $0.54 per diluted share.

Webcast

A webcast to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, May 24, 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 pages.

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

	Three Months Ended			Six Months Ended	
	April 30, 2023	**January 29, 2023**	**May 1, 2022**	**April 30, 2023**	**May 1, 2022**
Revenue	$ 229,306	$ 211,090	$ 204,509	$ 440,397	$ 394,336
Cost of goods sold	140,904	135,013	134,289	275,918	264,253
Gross Profit	88,402	76,077	70,220	164,479	130,083
Operating Expenses:					
Selling, general and administrative	17,878	16,818	16,613	34,696	32,340
Research and development	3,479	3,302	4,206	6,781	10,145
Total Operating Expenses	21,357	20,120	20,819	41,477	42,485
Operating Income	67,045	55,957	49,401	123,002	87,598
Non-operating (loss) income, net	13,571	(14,425)	8,021	(854)	12,728
Income Before Income Tax Provision	80,616	41,532	57,422	122,148	100,326
Income tax provision	21,343	12,582	14,393	33,925	25,571
Net Income	59,273	28,950	43,029	88,223	74,755
Net income attributable to noncontrolling interests	19,344	14,964	15,597	34,308	24,259
Net income attributable to Photronics, Inc. shareholders	$ 39,929	$ 13,986	$ 27,432	$ 53,915	$ 50,496
Earnings per share:					
Basic	$ 0.65	$ 0.23	$ 0.45	$ 0.88	$ 0.84
Diluted	$ 0.65	$ 0.23	$ 0.45	$ 0.88	$ 0.83
Weighted-average number of common shares outstanding:					
Basic	61,138	60,894	60,606	61,016	60,382
Diluted	61,507	61,470	61,145	61,489	61,041

Condensed Consolidated Balance Sheets
(in thousands)
(Unaudited)

	April 30, 2023	October 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 367,485	$ 319,680
Short-term investments	45,431	38,820
Accounts receivable	214,464	198,147
Inventories	54,940	50,753
Other current assets	37,796	37,252
Total current assets	720,116	644,652
Property, plant and equipment, net	699,917	643,873
Other assets	30,992	27,305
Total assets	$ 1,451,025	$ 1,315,830
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	$ 7,017	$ 10,024
Accounts payable and accrued liabilities	178,151	183,773
Total current liabilities	185,168	193,797
Long-term debt	21,322	32,310
Other liabilities	39,851	27,634
Photronics, Inc. shareholders' equity	928,047	831,527
Noncontrolling interests	276,637	230,562
Total equity	1,204,684	1,062,089
Total liabilities and equity	$ 1,451,025	$ 1,315,830

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

	Six Months Ended	
	April 30, 2023	May 1, 2022
Cash flows from operating activities:		
Net income	$ 88,223	$ 74,755
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	39,085	41,405
Share-based compensation	3,830	3,041

Changes in operating assets, liabilities and other	(21,461)	(15,912)
Net cash provided by operating activities	109,677	103,289
Cash flows from investing activities:		
Purchases of property, plant and equipment	(57,728)	(34,809)
Purchases of available-for-sale debt securities	(9,837)	0
Proceeds from maturity of available-for-sale debt securities	4,000	0
Government incentives	1,393	1,394
Other	(88)	(199)
Net cash used in investing activities	(62,260)	(33,614)
Cash flows from financing activities:		
Repayments of debt	(14,720)	(27,571)
Purchases of treasury stock	-	(2,522)
Contributions from noncontrolling interest	-	24,995
Proceeds from share-based arrangements	730	4,384
Net settlements of restricted stock awards	(1,252)	(1,452)
Net cash used in financing activities	(15,242)	(2,166)
Effects of exchange rate changes on cash, cash equivalents, and restricted cash	15,621	(14,917)
Net increase in cash, cash equivalents, and restricted cash	47,796	52,592
Cash, cash equivalents, and restricted cash, beginning of period	322,409	279,680
Cash, cash equivalents, and restricted cash, end of period	$ 370,205	$ 332,272

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

	Three Months ended			Six Months ended	
	April 30, 2023	**January 29, 2023**	**May 1, 2022**	**April 30, 2023**	**May 1, 2022**
Reconciliation of GAAP to Non-GAAP Net Income:					
GAAP Net Income	$ 39,929	$ 13,986	$ 27,432	$ 53,915	$ 50,496
FX (gain) loss	(10,718)	16,944	(7,844)	6,226	(13,112)
Estimated tax effects of above	2,823	(4,506)	1,947	(1,683)	3,284
Estimated noncontrolling interest effects of above	901	(2,060)	1,543	(1,159)	1,639
Non-GAAP Net Income	$ 32,935	$ 24,364	$ 23,078	$ 57,299	$ 42,307
Weighted-average number of common shares outstanding - Diluted	61,507	61,470	61,145	61,489	61,041
Reconciliation of GAAP to Non-GAAP EPS:					
GAAP diluted earnings per share	$ 0.65	$ 0.23	$ 0.45	$ 0.88	$ 0.83
Effects of the above adjustments	$ (0.11)	$ 0.17	$ (0.07)	$ 0.05	$ (0.14)
Non-GAAP diluted earnings per share	$ 0.54	$ 0.40	$ 0.38	$ 0.93	$ 0.69

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

	Six Months ended	Year ended		
	April 30, 2023	October 31, 2022	October 31, 2021	Target Model Two-year Horizon
GAAP Net cash provided by operating activities	$ 109,677	$ 275,187	$ 150,772	$ 350,000 - 400,000
Purchases of property, plant and equipment	(57,728)	(112,338)	(109,099)	(100,000)
Free Cash Flow	$ 51,949	$ 162,849	$ 41,673	$ 250,000 - 300,000

Reconciliation of Free Cash flow to LTM Free Cash Flow:

	Free Cash Flow
Six Months ended April 30, 2023	$ 51,949
Year-ended October 31, 2022	162,849
Six Months ended May 1, 2022	(68,480)
LTM April 30, 2023	$ 146,318

Reconciliation of Cash and cash equivalents to Net Cash:

	As of		
	April 30, 2023	October 31, 2022	May 1, 2022
Cash and cash equivalents	$ 367,485	$ 319,680	$ 329,282
Current portion of Long-term debt	(7,017)	(10,024)	(12,410)
Long-term Debt	(21,322)	(32,310)	(70,138)
Net Cash	$ 339,146	$ 277,346	$ 246,734

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Source: Photronics, Inc.