Photronics Reports Full Year and Fourth Quarter Fiscal 2023 Results

December 13, 2023

BROOKFIELD, Conn., Dec. 13, 2023 (GLOBE NEWSWIRE) -- Photronics, Inc. (NASDAQ:PLAB), a worldwide leader in photomask technologies and solutions, today reported financial results for its full year and fourth quarter of fiscal year 2023 ended October 31, 2023.

“We delivered our sixth consecutive year of record revenue with growth in fourth quarter amidst a prolonged industry downturn,” said Frank Lee, chief executive officer. “Fourth quarter and full year revenue increased 8% year-over-year, and fourth quarter increased 1% sequentially. Both IC and FPD increased, as demand for our design-driven products remained strong. Operating expenses were lower sequentially, partially offsetting lower gross profit, resulting in operating margins of 28.5% for the fourth quarter and 28.4% for the year. Strong cash generation and our disciplined strategy of investing in growth strengthened the balance sheet while positioning us for sustained solid performance. I am proud of our team’s performance and look forward to even greater achievements as we execute our strategy in the year to come.”

Full Year Fiscal 2023 Results

- Revenue was $892.1 million, up 8% over the previous year – the sixth consecutive year of record revenue
- GAAP net income attributable to Photronics, Inc. shareholders was $125.5 million, or $2.03 per diluted share, compared with $118.8 million, or $1.94 per diluted share in 2022
- Non-GAAP net income attributable to Photronics, Inc. shareholders was $126.0 million, or $2.04 per diluted share, compared with $101.7 million, or $1.66 per diluted share in 2022
- IC revenue was $651.3 million, up 10%
- FPD revenue was $240.8 million, up 4%
- Cash generated from operating activities was $302.2 million, and cash invested in organic growth through capital expenditures was $131.3 million

Fourth Quarter Fiscal 2023 Results

- Revenue was $227.5 million, up 8% year-over-year and 1% sequentially
- GAAP net income attributable to Photronics, Inc. shareholders was $44.6 million, or $0.72 per diluted share, compared with $37.1 million, or $0.60 per diluted share in the fourth quarter 2022 and $27.0 million, or $0.44 per diluted share in the third quarter of 2023
- Non-GAAP net income attributable to Photronics, Inc. shareholders was $37.2 million, or $0.60 per diluted share, compared with $31.2 million, or $0.51 per diluted share in the fourth quarter 2022 and $31.6 million, or $0.51 per diluted share in the third quarter of 2023
- IC revenue was $164.5 million, up 5% year-over-year and 1% sequentially
- FPD revenue was a record at $63.0 million, up 17% from the same quarter last year and 3% sequentially
- Cash generated from operating activities was $106.6 million, and cash invested in organic growth through capital expenditures was $52.5 million
- Cash balance at the end of the quarter was $499.3 million, with $12.9 million in short-term investments and $24.6 million in debt

First Quarter Fiscal 2024 Guidance

For the first quarter of fiscal 2024, Photronics expects revenue to be between $217 million and $225 million and non-GAAP net income attributable to Photronics, Inc. shareholders to be between $0.45 and $0.53 per diluted share.

Webcast

A webcast to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, December 13, 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, 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.

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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, 2023	July 30, 2023	October 31, 2022	October 31, 2023	October 31, 2022
Revenue	$ 227,473	$ 224,206	$ 210,266	$ 892,076	$ 824,549
Cost of goods sold	142,591	137,405	129,997	555,914	530,336
Gross Profit	84,882	86,801	80,269	336,162	294,213
Operating Expenses:					
Selling, general and administrative	16,731	18,032	15,683	69,458	63,989
Research and development	3,367	3,505	4,045	13,654	18,341
Total Operating Expenses	20,098	21,537	19,728	83,112	82,330
Other operating loss	-	-	-	-	(17)
Operating Income	64,784	65,264	60,541	253,050	211,866
Non-operating (loss) income, net	18,660	(911)	10,797	16,896	27,167
Income Before Income Tax Provision	83,444	64,353	71,338	269,946	239,033
Income tax provision	20,288	16,098	16,074	70,312	59,791
Net Income	63,156	48,255	55,264	199,634	179,242

Net income attributable to noncontrolling interests	18,545	21,296	18,204	74,149	60,456
Net income attributable to Photronics, Inc. shareholders	$ 44,611	$ 26,959	$ 37,060	$ 125,485	$ 118,786
Earnings per share:					
Basic	$ 0.73	$ 0.44	$ 0.61	$ 2.05	$ 1.96
Diluted	$ 0.72	$ 0.44	$ 0.60	$ 2.03	$ 1.94
Weighted-average number of common shares outstanding:					
Basic	61,290	61,233	60,773	61,139	60,559
Diluted	62,067	61,974	61,374	61,755	61,189

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

	October 31, 2023	October 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 499,292	$ 319,680
Short-term investments	12,915	38,820
Accounts receivable	194,927	198,147
Inventories	49,963	50,753
Other current assets	28,353	37,252
Total current assets	785,450	644,652
Property, plant and equipment, net	709,244	643,873
Other assets	31,527	27,305
Total assets	$ 1,526,221	$ 1,315,830
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	$ 6,621	$ 10,024
Accounts payable and accrued liabilities	178,602	183,773
Total current liabilities	185,223	193,797
Long-term debt	17,998	32,310
Other liabilities	47,391	27,634
Photronics, Inc. shareholders' equity	975,008	831,527
Noncontrolling interests	300,601	230,562
Total equity	1,275,609	1,062,089
Total liabilities and equity	$ 1,526,221	$ 1,315,830

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

	Year Ended	
	October 31, 2023	**October 31, 2022**
Cash flows from operating activities:		
Net income	$ 199,634	$ 179,242
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	80,835	80,330
Share-based compensation	8,001	6,308
Changes in operating assets, liabilities and other	13,706	9,307
Net cash provided by operating activities	302,176	275,187
Cash flows from investing activities:		
Purchases of property, plant and equipment	(131,295)	(112,338)
Purchases of available-for-sale debt securities	(20,192)	(38,854)
Proceeds from maturity of available-for-sale debt securities	47,537	-
Government incentives	2,522	3,615
Other	(117)	(180)
Net cash used in investing activities	(101,545)	(147,757)
Cash flows from financing activities:		
Repayments of debt	(18,439)	(65,440)
Purchases of treasury stock	-	(2,522)
Contributions from noncontrolling interest	-	24,995
Proceeds from share-based arrangements	1,248	5,749
Net settlements of restricted stock awards	(1,302)	(1,471)
Net cash used in financing activities	(18,493)	(38,689)
Effects of exchange rate changes on cash, cash equivalents, and restricted cash	(2,680)	(46,012)
Net increase in cash, cash equivalents, and restricted cash	179,458	42,729
Cash, cash equivalents, and restricted cash, beginning of period	322,409	279,680
Cash, cash equivalents, and restricted cash, end of period	$ 501,867	$ 322,409

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

	Three Months ended			Year ended	
	October 31, 2023	**July 30, 2023**	**October 31, 2022**	**October 31, 2023**	**October 31, 2022**
Reconciliation of GAAP to Non-GAAP Non-operating (loss) Income:					
GAAP Non-operating (loss) income, net	$ 18,660	$ (911)	$ 10,797	$ 16,896	$ 27,167

FX (gain) loss	(13,234)	4,543	(10,369)	(2,466)	(27,344)
Non-GAAP Non-operating (loss) income, net	$ 5,426	$ 3,632	$ 428	$ 14,430	$ (177)
Reconciliation of GAAP to Non-GAAP Income tax provision:					
GAAP Income tax provision	$ 20,288	$ 16,098	$ - $ 16,074	$ 70,312	$ 59,791
Estimated tax effects of FX (gain) loss	3,437	(1,193)	- 2,522	317	5,933
Non-GAAP Income tax provision	$ 16,851	$ 17,291	$ 13,552	$ 69,995	$ 53,858
Reconciliation of GAAP to Non-GAAP Noncontrolling interests:					
GAAP Noncontrolling interests	$ 18,545	$ 21,296	$ 18,204	$ 74,149	$ 60,456
Estimated noncontrolling interest effects of above	2,431	1,328	1,990	2,676	4,275
Non-GAAP Noncontrolling interests	$ 16,114	$ 19,968	$ 16,214	$ 71,473	$ 56,181
Reconciliation of GAAP to Non-GAAP Net Income:					
GAAP Net Income	$ 44,611	$ 26,959	$ 37,060	$ 125,485	$ 118,786
FX (gain) loss	(13,234)	4,543	(10,369)	(2,466)	(27,344)
Estimated tax effects of above	3,437	(1,193)	2,522	317	5,933
Estimated noncontrolling interest effects of above	2,431	1,328	1,990	2,676	4,275
Non-GAAP Net Income	$ 37,245	$ 31,637	$ 31,203	$ 126,012	$ 101,650
Weighted-average number of common shares outstanding - Diluted	62,067	61,974	61,374	61,755	61,189
Reconciliation of GAAP to Non-GAAP EPS:					
GAAP diluted earnings per share	$ 0.72	$ 0.44	$ 0.60	$ 2.03	$ 1.94
Effects of the above adjustments	$ (0.12)	$ 0.07	$ (0.09)	$ 0.01	$ (0.28)
Non-GAAP diluted earnings per share	$ 0.60	$ 0.51	$ 0.51	$ 2.04	$ 1.66

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

	Year ended October 31, 2023
GAAP Net cash provided by operating activities	$ 302,176
Purchases of property, plant and equipment	(131,295)
Free Cash Flow	$ 170,881

Reconciliation of Cash and cash equivalents to Net Cash:

	As of	
	October 31, 2023	October 31, 2022
Cash and cash equivalents	$ 499,292	$ 319,680

Current portion of Long-term debt	(6,621)	(10,024)
Long-term Debt	(17,998)	(32,310)
Net Cash	$ 474,673	$ 277,346

Source: Photronics, Inc.