



May 19, 2014

Photronics Reports Second Quarter Fiscal 2014 Results

- Quarterly results include impact of PDMC JV from April 4
- Gain, net of expenses, of \$14.4 million related to formation of PDMC JV
- Quarterly High-end IC photomask sales of \$17.2 million, up 4% sequentially
- Quarterly High-end FPD photomask sales of \$20.6 million, up 32% sequentially
- Non-GAAP EPS of \$0.02 per diluted share
- EBITDA of \$25 million
- Net working capital of \$209 million, up \$33 million sequentially

BROOKFIELD, Conn.--(BUSINESS WIRE)-- [Photronics, Inc.](#) (NASDAQ:PLAB), a worldwide leader in supplying innovative imaging technology solutions for the global electronics industry, today reported financial results for the fiscal 2014 second quarter ended May 4, 2014.

Constantine ("Deno") Macricostas, Photronics' chairman and chief executive officer commented, "During the quarter we closed on our new PDMC joint venture in Taiwan, and we expect this initiative to generate solid growth in the coming quarters. Customers are positive about the formation of PDMC, and we are off to a great start in integrating our operations to enable efficient photomask delivery in the region. We remain confident in our prospects for profitable growth across the company due to our global infrastructure, advanced technology and efficient operating model."

Sales for the second quarter of fiscal 2014 were \$104.9 million, a sequential increase of 3% compared with \$101.5 million for the first quarter of fiscal 2014. Sales for the second quarter of 2013 were \$106.7 million. Sales of semiconductor photomasks were \$76.6 million, or 73% of revenues, during the second quarter of fiscal 2014, and sales of flat panel display (FPD) photomasks were \$28.3 million, or 27% of revenues. GAAP net income attributable to Photronics, Inc. shareholders for the second quarter of fiscal 2014 was \$15.5 million, or \$0.22 per diluted share, and non-GAAP net income attributable to Photronics, Inc. shareholders for the second quarter of fiscal 2014 was \$1.2 million, or \$0.02 per diluted share, compared with the second quarter of fiscal 2013 GAAP net income and non-GAAP net income attributable to Photronics, Inc. shareholders of \$4.9 million, or \$0.08 per diluted share. Non-GAAP net income attributable to Photronics, Inc. shareholders for the second quarter of fiscal 2014 excluded the non-cash gain on acquisition of \$16.4 million and transaction expenses of \$2.0 million related to the joint venture, PDMC, in Taiwan.

Sales for the first six months of fiscal 2014 were \$206.4 million, compared with \$206.5 million for the first six months of fiscal 2013. For the first six months of fiscal 2014, sales of semiconductor photomasks were \$152.8 million, or 74% of revenues, and sales of FPD photomasks were \$53.6 million, or 26% of revenues. GAAP net income attributable to Photronics, Inc. shareholders for the first six months of fiscal 2014 was \$17.5 million, or \$0.27 per diluted share, and non-GAAP net income attributable to Photronics, Inc. shareholders for the first six months of fiscal 2014 was \$3.6 million, or \$0.06 per diluted share, compared with the first six months of fiscal 2013 GAAP and Non-GAAP net income attributable to Photronics, Inc. shareholders of \$7.2 million, or \$0.12 per diluted share. Non-GAAP net income attributable to Photronics, Inc. shareholders for the first six months of fiscal 2014 excludes the acquisition gain and expenses related to the joint venture.

The section below entitled "Non-GAAP Financial Measures" provides a definition and information about the use of non-GAAP financial measures in this press release, and the attached financial supplement reconciles non-GAAP financial information with Photronics, Inc.'s financial results under GAAP.

Non-GAAP Financial Measures

Non-GAAP net income attributable to Photronics, Inc. shareholders and non-GAAP earnings per share are "non-GAAP financial measures," as such term is defined by the Securities and Exchange Commission, and may differ from non-GAAP financial

measures used by other companies. Photronics, Inc. believes that non-GAAP net income attributable to Photronics, Inc. shareholders and non-GAAP earnings per share that exclude certain non-cash or non-recurring income or expense items are useful for analysts and investors to evaluate Photronics, Inc.'s future on-going performance because they enable a more meaningful comparison of Photronics, Inc.'s projected earnings and performance with its historical results of prior periods. These non-GAAP metrics, in particular non-GAAP net income attributable to Photronics, Inc. shareholders and non-GAAP earnings per share are not intended to represent funds available for Photronics, Inc.'s discretionary use and are not intended to represent, or be used as a substitute for, operating income, net income or cash flows from operations data 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 consolidated statements of operations and must be considered in performing a comprehensive assessment of overall financial performance. Non-GAAP financial information is adjusted for the following items:

- Non-cash acquisition gain and transaction expenses related to the joint venture, PDMC, in Taiwan are excluded because they are not part of ongoing operations.

The presentation of this financial information should not be considered in isolation or as a substitute for the financial information prepared and presented in accordance with accounting principles generally accepted in the United States. The attached financial supplement reconciles non-GAAP financial information with Photronics, Inc.'s financial results under GAAP.

A conference call with investors and the media to discuss these results is scheduled for 8:30 a.m. Eastern time on Tuesday, May 20, 2014. The call can be accessed by logging onto Photronics' web site at www.photronics.com. The live dial-in number is 408-774-4601. The call will be archived for instant replay access until the Company reports its fiscal 2014 third quarter results.

About Photronics

[Photronics](http://www.photronics.com) is a leading worldwide manufacturer of [photomasks](http://www.photronics.com). Photomasks are high precision quartz plates that contain microscopic images of electronic circuits. A key element in the manufacture of semiconductors and flat panel displays, photomasks are used to transfer circuit patterns onto semiconductor wafers and flat panel substrates during the fabrication of integrated circuits, a variety of flat panel displays and, to a lesser extent, other types of electrical and optical components. They are produced in accordance with product designs provided by customers at strategically located [manufacturing facilities](http://www.photronics.com) 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 Photronics, Inc. and its subsidiaries (the Company). The forward-looking statements contained in this press release and other parts of Photronics' web site 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, 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. Accordingly, there is no assurance that the Company's expectations will be realized. For a fuller discussion of the factors that may affect the Company's operations, see "Forward Looking Statements" in the Company's Quarterly and Annual Reports to the Securities and Exchange Commission on Forms 10-Q and 10-K. The Company assumes no obligation to provide revisions to any forward-looking statements.

07-2014

PLAB - E

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

| | Three Months Ended | | Six Months Ended | |
|---------------------|---------------------------|---------------------------|-------------------------|---------------------------|
| | May 4, 2014 | April 28, 2013 | May 4, 2014 | April 28, 2013 |
| Net sales | \$104,882 | \$106,680 | \$ 206,424 | \$ 206,519 |
| Costs and expenses: | | | | |
| Cost of sales | (82,692) | (81,891) | (161,352) | (160,632) |

| | | | | |
|--|------------------|-----------------|------------------|-----------------|
| Selling, general and administrative | (13,419) | (12,151) | (25,697) | (23,218) |
| Research and development | <u>(5,939)</u> | <u>(4,556)</u> | <u>(10,913)</u> | <u>(9,395)</u> |
| Operating income | 2,832 | 8,082 | 8,462 | 13,274 |
| Gain on acquisition | 16,372 | - | 16,372 | - |
| Other expense, net | <u>(1,222)</u> | <u>(916)</u> | <u>(2,095)</u> | <u>(1,507)</u> |
| Income before income taxes | 17,982 | 7,166 | 22,739 | 11,767 |
| Income tax provision | <u>(2,032)</u> | <u>(1,724)</u> | <u>(4,747)</u> | <u>(3,466)</u> |
| Net income | 15,950 | 5,442 | 17,992 | 8,301 |
| Net income attributable to noncontrolling interests | <u>(410)</u> | <u>(579)</u> | <u>(459)</u> | <u>(1,114)</u> |
| Net income attributable to Photronics, Inc. shareholders | <u>\$ 15,540</u> | <u>\$ 4,863</u> | <u>\$ 17,533</u> | <u>\$ 7,187</u> |
| Earnings per share: | | | | |
| Basic | <u>\$ 0.25</u> | <u>\$ 0.08</u> | <u>\$ 0.29</u> | <u>\$ 0.12</u> |
| Diluted | <u>\$ 0.22</u> | <u>\$ 0.08</u> | <u>\$ 0.27</u> | <u>\$ 0.12</u> |
| Weighted-average number of common shares outstanding: | | | | |
| Basic | <u>61,372</u> | <u>60,493</u> | <u>61,286</u> | <u>60,385</u> |
| Diluted | <u>77,705</u> | <u>61,501</u> | <u>77,632</u> | <u>61,298</u> |

PHOTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

(in thousands)
(Unaudited)

| | |
|------------------------|-----------------------------|
| May 4, 2014 | November 3, 2013 |
| <hr/> | <hr/> |

Assets

Current assets:

| | | |
|------------------------------------|---------------------|-------------------|
| Cash and cash equivalents | \$ 191,828 | \$ 215,615 |
| Accounts receivable | 97,654 | 73,357 |
| Inventories | 21,923 | 18,849 |
| Other current assets | <u>29,406</u> | <u>10,645</u> |
| Total current assets | 340,811 | 318,466 |
| Property, plant and equipment, net | 534,065 | 422,740 |
| Investment in joint venture | 93,085 | 93,124 |
| Intangible assets, net | 32,767 | 34,080 |
| Other assets | <u>20,282</u> | <u>17,519</u> |
| | <u>\$ 1,021,010</u> | <u>\$ 885,929</u> |

Liabilities and Equity

Current liabilities:

| | | |
|--|---------------------|-------------------|
| Current portion of long-term borrowings | \$ 10,231 | \$ 11,818 |
| Accounts payable and accrued liabilities | <u>121,174</u> | <u>92,769</u> |
| Total current liabilities | 131,405 | 104,587 |
| Long-term borrowings | 158,691 | 182,203 |
| Other liabilities | 21,175 | 11,308 |
| Photronics, Inc. shareholders' equity | 603,121 | 585,314 |
| Noncontrolling interests | <u>106,618</u> | <u>2,517</u> |
| Total equity | <u>709,739</u> | <u>587,831</u> |
| | <u>\$ 1,021,010</u> | <u>\$ 885,929</u> |

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

| | Six Months Ended | |
|---|------------------|-------------------|
| | May 4, 2014 | April 28, 2013 |
| Cash flows from operating activities: | | |
| Net income | \$ 17,992 | \$ 8,301 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Gain on acquisition | (16,372) | - |
| Depreciation and amortization | 36,782 | 37,490 |
| Changes in assets and liabilities and other | <u>1,497</u> | <u>(9,857)</u> |
| Net cash provided by operating activities | <u>39,899</u> | <u>35,934</u> |
| Cash flows from investing activities: | | |
| Purchases of property, plant and equipment | (42,385) | (31,866) |
| Cash from acquisition | 4,508 | - |
| Other | <u>(910)</u> | <u>(2,822)</u> |
| Net cash used in investing activities | <u>(38,787)</u> | <u>(34,688)</u> |
| Cash flows from financing activities: | | |
| Repayments of long-term borrowings | (25,100) | (3,319) |
| Repurchase of common stock of subsidiary | - | (4,190) |
| Payment of deferred financing fees | (309) | (40) |
| Proceeds from share-based arrangements | 888 | 588 |
| Other | <u>(543)</u> | <u>-</u> |
| Net cash used in financing activities | <u>(25,064)</u> | <u>(6,961)</u> |
| Effect of exchange rate changes on cash | <u>165</u> | <u>(1,776)</u> |
| Net decrease in cash and cash equivalents | (23,787) | (7,491) |

| | | |
|--|-------------------|-------------------|
| Cash and cash equivalents, beginning of period | <u>215,615</u> | <u>218,043</u> |
| Cash and cash equivalents, end of period | <u>\$ 191,828</u> | <u>\$ 210,552</u> |
| Noncash net assets from acquisition | \$ 110,213 | \$ - |

PHOTRONICS, INC. AND SUBSIDIARIES
Reconciliation of GAAP to Non-GAAP Financial Information
(in thousands, except per share data)
(Unaudited)

| | <u>Three Months Ended</u> | | <u>Six Months Ended</u> | |
|---|---------------------------|---------------------------|-------------------------|---------------------------|
| | <u>May 4, 2014</u> | <u>April 28, 2013</u> | <u>May 4, 2014</u> | <u>April 28, 2013</u> |
| <u>Reconciliation of GAAP to Non-GAAP Net Income</u> | | | | |
| <u>Attributable to Photronics, Inc. Shareholders</u> | | | | |
| GAAP net income attributable to Photronics, Inc. shareholders | \$ 15,540 | \$ 4,863 | \$ 17,533 | \$ 7,187 |
| (a) Gain on acquisition, net of tax | (16,372) | - | (16,372) | - |
| (b) Acquisition transaction expenses, net of tax | 2,018 | - | 2,455 | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Non-GAAP net income attributable to Photronics, Inc. shareholders | <u>\$ 1,186</u> | <u>\$ 4,863</u> | <u>\$ 3,616</u> | <u>\$ 7,187</u> |

Reconciliation of GAAP to Non-GAAP Net Income
Applicable to Common Shareholders

Weighted average number of diluted shares outstanding

| | | | | |
|------------------------------|----------------|----------------|----------------|----------------|
| GAAP | <u>77,705</u> | <u>61,501</u> | <u>77,632</u> | <u>61,298</u> |
| Non-GAAP | <u>62,282</u> | <u>61,501</u> | <u>62,209</u> | <u>61,298</u> |
| Net income per diluted share | | | | |
| GAAP | <u>\$ 0.22</u> | <u>\$ 0.08</u> | <u>\$ 0.27</u> | <u>\$ 0.12</u> |
| Non-GAAP | <u>\$ 0.02</u> | <u>\$ 0.08</u> | <u>\$ 0.06</u> | <u>\$ 0.12</u> |

(a) Represents gain on acquisition of DNP Photomask Technology Taiwan Co., Ltd (DPTT), a wholly-owned subsidiary of Dai Nippon Printing Co., Ltd.

(b) Represents transaction expenses in connection with the acquisition of DPTT

Photronics
Pete Broadbent, 203-775-9000
Vice President, Investor Relations & Marketing
pbroadbent@photronics.com

Source: Photronics, Inc.

News Provided by Acquire Media