



August 18, 2015

Photronics Reports Third Quarter Fiscal 2015 Results

- Quarterly sales of \$131.7 million, up \$4.4 million sequentially
- Diluted EPS of \$0.17 (above guided range of \$0.06 to \$0.13)
- Sequential gross and operating margin improvement of 230 and 240 BPS, respectively
- Flat panel display sales increase 18% sequentially to \$27.7 million
- Non-GAAP EBITDA of \$42 million, up 20% sequentially
- Working capital of \$179 million, up \$28 million sequentially
- Net cash of \$57 million, up \$18 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 2015 third quarter ended August 2, 2015.

Peter Kirlin, Photronics' chief executive officer commented, "High-end flat panel display sales led by increased demand for AMOLED photomasks helped us achieve revenues near the high end of our expectations for the quarter. This was the second consecutive quarter with sales up on a sequential as well as a year-over-year basis. Our continuously improving manufacturing efficiencies enabled us to leverage our incremental revenue growth into bottom line performance above our guided range."

Sales for the third quarter of fiscal 2015 were \$131.7 million, a sequential increase of 3% compared with \$127.3 million for the second quarter of fiscal 2015. Sales for the third quarter of 2014 were \$124.9 million. Sales of semiconductor photomasks were \$104.0 million, or 79% of revenues, during the third quarter of fiscal 2015, and sales of flat panel display (FPD) photomasks were \$27.7 million, or 21% of revenues.

GAAP and non-GAAP net income attributable to Photronics, Inc. shareholders for the third quarter of fiscal 2015 was \$12.1 million, or \$0.17 per diluted share. GAAP and non-GAAP net income attributable to Photronics, Inc. shareholders for the third quarter of fiscal 2014 was \$4.2 million, or \$0.07 per diluted share.

Sales for the first nine months of fiscal 2015 were \$382.5 million, compared with \$331.3 million for the first nine months of fiscal 2014. For the first nine months of fiscal 2015, sales of semiconductor photomasks were \$309.3 million, or 81% of revenues, and sales of FPD photomasks were \$73.2 million, or 19% of revenues. GAAP net income attributable to Photronics, Inc. shareholders for the first nine months of fiscal 2015 was \$26.0 million, or \$0.37 per diluted share, compared with \$21.7 million, or \$0.34 per diluted share for the first nine months of fiscal 2014. Non-GAAP net income attributable to Photronics, Inc. shareholders for the first nine months of fiscal 2015, which excludes financing expenses of \$0.9 million, was \$26.9 million, or \$0.39 per diluted share. Non-GAAP net income attributable to Photronics, Inc. shareholders for the first nine months of fiscal 2014, which excludes a non-cash gain on acquisition of \$16.4 million and transaction expenses of \$2.5 million, was \$7.8 million, or \$0.13 per diluted share.

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:

- Financing expenses in fiscal 2015 related to the exchange of convertible senior notes are excluded because they are not a part of ongoing operations.
- Non-cash acquisition gain and transaction expenses in fiscal 2014 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 Wednesday, August 19, 2015. 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 2015 fourth 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.

15-2015

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

	Three Months Ended		Nine Months Ended	
	August 2, 2015	August 3, 2014	August 2, 2015	August 3, 2014
Net sales	\$ 131,699	\$ 124,852	\$ 382,513	\$ 331,276
Costs and expenses:				
Cost of sales	(94,456)	(96,202)	(283,991)	(257,554)
Selling, general and administrative	(12,430)	(12,394)	(36,795)	(38,092)

Research and development	<u>(6,253)</u>	<u>(5,199)</u>	<u>(16,743)</u>	<u>(16,111)</u>
Operating income	18,560	11,057	44,984	19,519
Gain on acquisition	-	-	-	16,372
Other income (expense), net	<u>240</u>	<u>(1,168)</u>	<u>(2,500)</u>	<u>(3,264)</u>
Income before income taxes	18,800	9,889	42,484	32,627
Income tax provision	<u>(3,390)</u>	<u>(2,545)</u>	<u>(7,775)</u>	<u>(7,291)</u>
Net income	15,410	7,344	34,709	25,336
Net income attributable to noncontrolling interests	<u>(3,304)</u>	<u>(3,158)</u>	<u>(8,706)</u>	<u>(3,617)</u>
Net income attributable to Photronics, Inc. shareholders	<u>\$ 12,106</u>	<u>\$ 4,186</u>	<u>\$ 26,003</u>	<u>\$ 21,719</u>
Earnings per share:				
Basic	<u>\$ 0.18</u>	<u>\$ 0.07</u>	<u>\$ 0.39</u>	<u>\$ 0.35</u>
Diluted	<u>\$ 0.17</u>	<u>\$ 0.07</u>	<u>\$ 0.37</u>	<u>\$ 0.34</u>
Weighted-average number of common shares outstanding:				
Basic	<u>66,454</u>	<u>61,436</u>	<u>66,250</u>	<u>61,336</u>
Diluted	<u>78,569</u>	<u>62,432</u>	<u>78,300</u>	<u>77,706</u>

PHOTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

(in thousands)
(Unaudited)

	<u>August 2, 2015</u>	<u>November 2, 2014</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 191,562	\$ 192,929
Accounts receivable	104,701	94,515
Inventories	23,266	22,478
Other current assets	<u>21,037</u>	<u>26,570</u>
Total current assets	340,566	336,492
Property, plant and equipment, net	568,921	550,069
Investment in joint venture	93,040	93,122
Intangible assets, net	26,280	30,294
Other assets	<u>17,284</u>	<u>19,206</u>
	<u>\$ 1,046,091</u>	<u>\$ 1,029,183</u>

Liabilities and Equity

Current liabilities:

Current portion of long-term borrowings	\$ 16,577	\$ 10,381
Accounts payable and accrued liabilities	<u>144,959</u>	<u>128,736</u>
Total current liabilities	161,536	139,117
Long-term borrowings	118,457	131,805
Other liabilities	20,051	18,767
Photronics, Inc. shareholders' equity	628,771	628,050
Noncontrolling interests	<u>117,276</u>	<u>111,444</u>
Total equity	<u>746,047</u>	<u>739,494</u>
	<u>\$ 1,046,091</u>	<u>\$ 1,029,183</u>

PHOTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows

(in thousands)
(Unaudited)

	Nine Months Ended	
	August 2, 2015	August 3, 2014
Cash flows from operating activities:		
Net income	\$ 34,709	\$ 25,336
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	61,465	58,412
Gain on acquisition	-	(16,372)
Changes in assets and liabilities and other	<u>(4,347)</u>	<u>(5,538)</u>
Net cash provided by operating activities	<u>91,827</u>	<u>61,838</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(80,107)	(58,278)
Cash from acquisition	-	4,508
Other	<u>(283)</u>	<u>(759)</u>
Net cash used in investing activities	<u>(80,390)</u>	<u>(54,529)</u>
Cash flows from financing activities:		
Repayments of long-term borrowings	(7,152)	(27,432)
Payment of deferred financing fees	-	(336)
Proceeds from share-based arrangements	2,375	1,043
Other	<u>(171)</u>	<u>(597)</u>
Net cash used in financing activities	<u>(4,948)</u>	<u>(27,322)</u>
Effect of exchange rate changes on cash	<u>(7,856)</u>	<u>736</u>
Net decrease in cash and cash equivalents	(1,367)	(19,277)
Cash and cash equivalents, beginning of period	<u>192,929</u>	<u>215,615</u>

Cash and cash equivalents, end of period	<u>\$ 191,562</u>	<u>\$ 196,338</u>
Noncash net assets from acquisition	\$ -	\$ 110,211

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>Nine Months Ended</u>	
	<u>August 2,</u>	<u>August 3,</u>	<u>August 2,</u>	<u>August 3,</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Reconciliation of GAAP to Non-GAAP Net Income				
Attributable to Photronics, Inc. Shareholders				
GAAP net income attributable to Photronics, Inc. shareholders	\$ 12,106	\$ 4,186	\$ 26,003	\$ 21,719
(a) Financing expenses, net of tax	-	-	901	-
(b) Gain on acquisition, net of tax	-	-	-	(16,372)
(c) Acquisition transaction expenses, net of tax	-	-	-	2,455
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Non-GAAP net income attributable to Photronics, Inc. shareholders	<u>\$ 12,106</u>	<u>\$ 4,186</u>	<u>\$ 26,904</u>	<u>\$ 7,802</u>

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

Weighted average number of diluted shares outstanding

GAAP	<u>78,569</u>	<u>62,432</u>	<u>78,300</u>	<u>77,706</u>
Non-GAAP	<u>78,569</u>	<u>62,432</u>	<u>78,300</u>	<u>62,283</u>
Net income per diluted share				
GAAP	<u>\$ 0.17</u>	<u>\$ 0.07</u>	<u>\$ 0.37</u>	<u>\$ 0.34</u>
Non-GAAP	<u>\$ 0.17</u>	<u>\$ 0.07</u>	<u>\$ 0.39</u>	<u>\$ 0.13</u>

(a) Represents financing expenses related to the exchange of \$57.5 million of 3.25% convertible senior notes, recorded in other expense, net

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

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

View source version on [businesswire.com](http://www.businesswire.com/news/home/20150818006528/en/): <http://www.businesswire.com/news/home/20150818006528/en/>

Photronics, Inc.
Troy Dewar, 203-775-9000
Director, Investor Relations
tdewar@photronics.com

Source: Photronics, Inc.

News Provided by Acquire Media