



November 29, 2017

Photronics Reports Fourth Quarter Fiscal 2017 Results

BROOKFIELD, CT -- (Marketwired) -- 11/29/17 --

- | Fourth quarter fiscal 2017 revenue was \$121.0 million, up 8% sequentially and 13% year-over-year
- | Net income attributable to Photronics, Inc. shareholders was \$5.4 million (\$0.08 per diluted share)
- | Capital expenditures of \$53 million led to cash of \$308 million at year end; balance sheet remains strong while funding strategic growth initiatives
- | First quarter fiscal 2018 guidance: revenue between \$110 and \$118 million with diluted EPS between \$0.02 and \$0.09

[Photronics, Inc.](#) (NASDAQ: PLAB), a worldwide leader in supplying innovative imaging technology solutions for the global electronics industry, today reported financial results for its fiscal 2017 fourth quarter ended October 29, 2017.

Fourth quarter revenue was \$121.0 million, increases of 8% sequentially and 13% compared with last year. Integrated circuit (IC) revenue was \$96.1 million, up 13% sequentially and 17% compared with last year. Flat panel display (FPD) revenue was \$24.9 million, decreases of 6% sequentially and 1% compared with last year.

Net income attributable to Photronics, Inc. shareholders was \$5.4 million (\$0.08 per diluted share), compared with \$4.0 million (\$0.06 per diluted share) for the third quarter of 2017 and \$5.3 million (\$0.08 per diluted share) for the fourth quarter of 2016. The results for fourth quarter 2016 included a non-recurring tax benefit of \$1.8 million (\$0.03 per diluted share).

"Revenue improved this quarter on the strength of high-end mask sales, particularly in IC where high-end memory continued the positive trend of the last four quarters, and high-end logic advanced on growing Asia foundry 28 nm demand," said Peter Kirlin, chief executive officer. "High-end FPD also improved due in part to continued growth in demand for AMOLED in China. Operating margin improved to 10.3% due to our operating leverage and effective cost control. Continued strong cash generation supports our ability to fund planned investments, including the two China projects. The capex forecast of approximately \$250 million in 2018 will be the most the Company has spent in one year. We believe the China investments, when complete and fully operational, will provide attractive returns and will make significant contributions to revenue and profit growth."

Full Year Results

Full year revenue in fiscal 2017 was \$450.7 million, 7% less than fiscal 2016 full-year revenue. Revenue from IC photomasks of \$350.3 million was 4% less than prior year, and FPD revenue was \$100.4 million, 16% less than prior year FPD revenue.

Full year net income attributable to Photronics, Inc. shareholders was \$13.1 million in fiscal 2017 (\$0.19 per diluted share), compared with \$46.2 million (\$0.64 per diluted share) in 2016. Non-GAAP net income attributable to Photronics, Inc. shareholders was \$13.1 million in fiscal 2017 (\$0.19 per diluted share), compared with \$32.6 million (\$0.47 per diluted share) in fiscal 2016.

First Quarter 2018 Guidance

Kirlin continued, "For fiscal 2018 first quarter, underlying high-end IC demand drivers still appear healthy, potentially tempered by anticipated seasonal softness. We expect high-end FPD demand to remain flat. Our cash balance will likely decrease during the quarter as we ramp up investments for the China expansion. For the first quarter of fiscal 2018, Photronics expects revenues to be between \$110 million and \$118 million, and net income attributable to Photronics, Inc. shareholders to be between \$0.02 and \$0.09 per diluted share."

Conference Call

A conference call to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, November 29, 2017. The call can be accessed by logging onto Photronics' web site at www.photronics.com. The live dial-in number is (877) 377-7095 or (408) 774-4601 outside of the United States and Canada. The call will be archived on Photronics' web site for instant replay access.

Non-GAAP Financial Measures

Non-GAAP net income attributable to Photronics, Inc. shareholders, non-GAAP earnings per share, and non-GAAP EBITDA 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. The attached financial supplement reconciles Photronics, Inc.'s financial results under GAAP to non-GAAP financial information. Photronics, Inc. believes these non-GAAP financial measures 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 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 condensed consolidated statements of income and must be considered in performing a comprehensive assessment of overall financial performance. Non-GAAP financial information is adjusted for the following items:

- ┆ Non-recurring tax benefit in fiscal 2016 related to the recognition of certain tax benefits in Taiwan that were determined to be realizable in filings for future tax periods
- ┆ Non-recurring net gain on sale of investment in fiscal 2016
- ┆ Interest expense, income tax expense/(benefit), depreciation and amortization, and other items are added to GAAP net income to derive non-GAAP EBITDA

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 display 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.

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

	Three Months Ended			Year Ended	
	October 29, 2017	July 30, 2017	October 30, 2016	October 29, 2017	October 30, 2016
Revenue	\$ 120,971	\$ 111,579	\$ 107,368	\$ 450,678	\$ 483,456

Cost of goods sold	<u>(94,529)</u>	<u>(89,862)</u>	<u>(86,835)</u>	<u>(359,363)</u>	<u>(364,750)</u>
Gross profit	26,442	21,717	20,533	91,315	118,706
Operating Expenses:					
Selling, general and administrative	(10,182)	(11,639)	(10,191)	(43,585)	(44,577)
Research and development	<u>(3,838)</u>	<u>(4,812)</u>	<u>(5,041)</u>	<u>(15,862)</u>	<u>(21,654)</u>
Total Operating Expenses	<u>(14,020)</u>	<u>(16,451)</u>	<u>(15,232)</u>	<u>(59,447)</u>	<u>(66,231)</u>
Operating income	12,422	5,266	5,301	31,868	52,475
Gain on sale of investment	-	-	-	-	8,940
Other income (expense), net	<u>536</u>	<u>(134)</u>	<u>(69)</u>	<u>(5,303)</u>	<u>(941)</u>
Income before income taxes	12,958	5,132	5,232	26,565	60,474
Income tax (provision) benefit	<u>(2,462)</u>	<u>(333)</u>	<u>1,337</u>	<u>(5,276)</u>	<u>(4,798)</u>
Net income	10,496	4,799	6,569	21,289	55,676
Net income attributable to noncontrolling interests	<u>(5,110)</u>	<u>(798)</u>	<u>(1,313)</u>	<u>(8,159)</u>	<u>(9,476)</u>
Net income attributable to Photronics, Inc. shareholders	<u>\$ 5,386</u>	<u>\$ 4,001</u>	<u>\$ 5,256</u>	<u>\$ 13,130</u>	<u>\$ 46,200</u>
Earnings per share:					
Basic	<u>\$ 0.08</u>	<u>\$ 0.06</u>	<u>\$ 0.08</u>	<u>\$ 0.19</u>	<u>\$ 0.68</u>
Diluted	<u>\$ 0.08</u>	<u>\$ 0.06</u>	<u>\$ 0.08</u>	<u>\$ 0.19</u>	<u>\$ 0.64</u>
Weighted-average number of common shares outstanding:					
Basic	<u>68,615</u>	<u>68,525</u>	<u>68,025</u>	<u>68,436</u>	<u>67,539</u>
Diluted	<u>69,218</u>	<u>69,380</u>	<u>68,906</u>	<u>69,288</u>	<u>76,354</u>

PHOTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

(in thousands)
(Unaudited)

	<u>October 29, 2017</u>	<u>October 30, 2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 308,021	\$ 314,074
Accounts receivable	105,320	92,636
Inventories	23,703	22,081
Other current assets	<u>12,080</u>	<u>12,795</u>
Total current assets	449,124	441,586
Property, plant and equipment, net	535,197	506,434
Intangible assets, net	17,122	19,854
Other assets	<u>19,351</u>	<u>20,114</u>

Total assets	\$ 1,020,794	\$ 987,988
Liabilities and Equity		
Current liabilities:		
Current portion of long-term borrowings	\$ 4,639	\$ 5,428
Accounts payable and accrued liabilities	77,137	75,889
Total current liabilities	81,776	81,317
Long-term borrowings	57,337	61,860
Other liabilities	16,386	19,337
Photronics, Inc. shareholders' equity	744,564	710,363
Noncontrolling interests	120,731	115,111
Total equity	865,295	825,474
Total liabilities and equity	\$ 1,020,794	\$ 987,988

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

	Year Ended	
	October 29, 2017	October 30, 2016
Cash flows from operating activities:		
Net income	\$ 21,289	\$ 55,676
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	86,573	82,406
Gain on sale of investment	-	(8,940)
Changes in assets, liabilities and other	(11,029)	(7,005)
Net cash provided by operating activities	96,833	122,137
Cash flows from investing activities:		
Purchases of property, plant and equipment	(91,965)	(50,147)
Acquisition of Business	(5,400)	-
Proceeds from sale of investments	167	101,853
Other	(868)	584
Net cash (used in) provided by investing activities	(98,066)	52,290
Cash flows from financing activities:		
Repayments of long-term borrowings	(5,428)	(57,609)
Payments to noncontrolling interests	(8,298)	(12,856)
Proceeds from share-based arrangements	2,830	3,463
Other	(32)	(20)
Net cash used in financing activities	(10,928)	(67,022)
Effect of exchange rate changes on cash	6,108	802
Net (decrease) increase in cash and cash equivalents	(6,053)	108,207
Cash and cash equivalents, beginning of period	314,074	205,867

Cash and cash equivalents, end of period	\$	308,021	\$	314,074
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PHOTRONICS, INC. AND SUBSIDIARIES
Non-GAAP Financial Measures
Reconciliation of GAAP to Non-GAAP Financial Information
(in thousands, except per share data)
(Unaudited)

	<u>Three Months Ended</u>			<u>Year Ended</u>	
	<u>October 29, 2017</u>	<u>July 30, 2017</u>	<u>October 30, 2016</u>	<u>October 29, 2017</u>	<u>October 30, 2016</u>
Reconciliation of GAAP to Non-GAAP Net Income					
Attributable to Photronics, Inc. Shareholders and EPS data					
GAAP net income attributable to Photronics, Inc. shareholders	\$ 5,386	\$ 4,001	\$ 5,256	\$ 13,130	\$ 46,200
Income tax benefit (a)	-	-	(1,834)	-	(4,838)
Gain on sale of investment, net of tax (b)	-	-	-	-	(8,753)
Non-GAAP net income attributable to Photronics, Inc. shareholders	<u>\$ 5,386</u>	<u>\$ 4,001</u>	<u>\$ 3,422</u>	<u>\$ 13,130</u>	<u>\$ 32,609</u>
Weighted average number of diluted shares outstanding					
GAAP	<u>69,218</u>	<u>69,380</u>	<u>68,906</u>	<u>69,288</u>	<u>76,354</u>
Non-GAAP	<u>69,218</u>	<u>69,380</u>	<u>68,906</u>	<u>69,288</u>	<u>76,354</u>
Net income per diluted share					
GAAP	<u>\$ 0.08</u>	<u>\$ 0.06</u>	<u>\$ 0.08</u>	<u>\$ 0.19</u>	<u>\$ 0.64</u>
Non-GAAP	<u>\$ 0.08</u>	<u>\$ 0.06</u>	<u>\$ 0.05</u>	<u>\$ 0.19</u>	<u>\$ 0.47</u>
Reconciliation of GAAP Net Income to Non-GAAP EBITDA					
GAAP Net Income (c)	\$ 10,496	\$ 4,799	\$ 6,569	\$ 21,289	\$ 55,676
Interest expense	578	550	616	2,235	3,366
Income tax expense	2,462	333	(1,337)	5,276	4,798
Depreciation and amortization	22,492	21,840	22,304	86,573	82,406
Other items (d)	785	984	980	3,627	3,828
Non-GAAP EBITDA	<u>\$ 36,813</u>	<u>\$ 28,506</u>	<u>\$ 29,132</u>	<u>\$ 119,000</u>	<u>\$ 150,074</u>

Notes:

- (a) Represents tax benefit primarily related to the recognition of prior period tax benefits and other tax positions no longer deemed necessary in Taiwan
- (b) Represents gain on sale of investment in a foreign entity
- (c) Includes net income attributable to noncontrolling interests, and in 2016 includes gain on sale of investment in a foreign entity
- (d) Consists of stock compensation expense

For Further Information:

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