



February 17, 2015

Photronics Reports First Quarter Fiscal 2015 Results

- Quarterly sales of \$123.5 million; within guidance of \$121-126 million
- Non-GAAP net income of \$4.7 million
- Non-GAAP EPS of \$0.07; at high-end of guidance of \$0.02 - \$0.07
- Quarterly high-end IC sales increase 8% sequentially to \$36.4 million
- Non-GAAP EBITDA of \$34 million
- Net Cash of \$29 million
- Agreed to exchange \$57.5 million 3.25% convertible senior notes with 2016 maturity date for 3.25% notes with 2019 maturity date

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 first quarter ended February 1, 2015.

Constantine ("Deno") Macricostas, Photronics' chairman and chief executive officer commented, "Our first quarter results reflect renewed high-end demand across our logic, memory and flat panel customers. Our mainstream semiconductor business also held up well in what is normally a seasonally soft environment in the first quarter due to the holiday period."

"Earnings were at the high end of our expectations due to solid cost controls across a number of categories. Our operating cash flow continued to be strong. Over the past year we have successfully managed to invest in deploying high-end equipment to support our customers while continuing to strengthen our balance sheet and provide financial flexibility for the future," concluded Macricostas.

Sales for the first quarter of fiscal 2015 were \$123.5 million, an increase of 22% compared with \$101.5 million for the first quarter of fiscal 2014. Sales of semiconductor photomasks were \$101.5 million, or 82% of revenues, during the first quarter of fiscal 2015, and sales of flat panel display (FPD) photomasks were \$22.0 million, or 18% of revenues.

GAAP net income attributable to Photronics, Inc. shareholders for the first quarter of fiscal 2015 was \$3.8 million, or \$0.06 per diluted share, compared with GAAP net income attributable to Photronics, Inc. shareholders of \$2.0 million, or \$0.03 per diluted share, for the first quarter of fiscal 2014. Non-GAAP net income attributable to Photronics, Inc. shareholders for the first quarter of fiscal 2015, which excludes financing expenses of \$0.9 million, was \$4.7 million, or \$0.07 per diluted share. Non-GAAP net income attributable to Photronics, Inc. shareholders for the first quarter of fiscal 2014, which excludes acquisition transaction expenses of \$0.4 million, was \$2.4 million, or \$0.4 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 the first quarter of fiscal 2015 related to the exchange of convertible senior notes are excluded because they are not a part of ongoing operations.
- Transaction expenses in the first quarter of fiscal 2014 related to the joint venture, PDMC, in Taiwan, are excluded because they are not a 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, February 18, 2015. The live dial-in number is (408) 774-4601. The call can also be accessed by logging onto Photronics' web site at www.photronics.com. The call will be archived for instant replay access until the Company reports its fiscal 2015 second quarter results.

[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", "could", "estimate", "intend", "may", "will" 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.

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

	<u>Three Months Ended</u>	
	<u>February 1,</u>	<u>February 2,</u>
	<u>2015</u>	<u>2014</u>
Net sales	\$ 123,505	\$ 101,542
Costs and expenses:		
Cost of sales	(95,321)	(78,660)
Selling, general and administrative	(11,944)	(12,278)

Research and development	<u>(4,681)</u>	<u>(4,974)</u>
Operating income	11,559	5,630
Other expense, net	<u>(1,283)</u>	<u>(873)</u>
Income before income taxes	10,276	4,757
Income tax provision	<u>(3,134)</u>	<u>(2,716)</u>
Net income	7,142	2,041
Net income attributable to noncontrolling interests	<u>(3,305)</u>	<u>(48)</u>
Net income attributable to Photronics, Inc. shareholders	<u>\$ 3,837</u>	<u>\$ 1,993</u>
Earnings per share:		
Basic	<u>\$ 0.06</u>	<u>\$ 0.03</u>
Diluted	<u>\$ 0.06</u>	<u>\$ 0.03</u>
Weighted-average number of common shares outstanding:		
Basic	<u>66,066</u>	<u>61,200</u>
Diluted	<u>67,020</u>	<u>62,136</u>

PHOTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets

(in thousands)
(Unaudited)

February 1, 2015	November 2, 2014
<u> </u>	<u> </u>

Assets

Current assets:

Cash and cash equivalents	\$ 168,610	\$ 192,929
Accounts receivable	99,183	94,515
Inventories	23,786	22,478
Other current assets	<u>28,924</u>	<u>26,570</u>
Total current assets	320,503	336,492
Property, plant and equipment, net	593,020	550,069
Investment in joint venture	93,078	93,122
Intangible assets, net	29,203	30,294
Other assets	<u>17,073</u>	<u>19,206</u>
	<u>\$ 1,052,877</u>	<u>\$ 1,029,183</u>

Liabilities and Equity

Current liabilities:		
Current portion of long-term borrowings	\$ 10,457	\$ 10,381
Accounts payable and accrued liabilities	<u>166,493</u>	<u>128,736</u>
Total current liabilities	176,950	139,117
Long-term borrowings	129,362	131,805
Other liabilities	18,520	18,767
Photronics, Inc. shareholders' equity	617,109	628,050
Noncontrolling interests	<u>110,936</u>	<u>111,444</u>
Total equity	<u>728,045</u>	<u>739,494</u>
	<u>\$ 1,052,877</u>	<u>\$ 1,029,183</u>

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

(in thousands)
(Unaudited)

	Three Months Ended	
	February 1, 2015	February 2, 2014
Cash flows from operating activities:		
Net income	\$ 7,142	\$ 2,041
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	20,854	17,899
Changes in assets and liabilities and other	<u>(5,696)</u>	<u>(5,743)</u>
Net cash provided by operating activities	<u>22,300</u>	<u>14,197</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(40,371)	(12,184)
Increase in restricted cash	-	(1,698)
Other	<u>43</u>	<u>67</u>
Net cash used in investing activities	<u>(40,328)</u>	<u>(13,815)</u>
Cash flows from financing activities:		
Repayments of long-term borrowings	(2,367)	(23,554)
Payment of deferred financing fees	-	(310)
Proceeds from share-based arrangements	<u>768</u>	<u>518</u>
Net cash used in financing activities	<u>(1,599)</u>	<u>(23,346)</u>
Effect of exchange rate changes on cash	<u>(4,692)</u>	<u>(3,423)</u>
Net decrease in cash and cash equivalents	(24,319)	(26,387)
Cash and cash equivalents, beginning of period	<u>192,929</u>	<u>215,615</u>
Cash and cash equivalents, end of period	<u>\$ 168,610</u>	<u>\$ 189,228</u>

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>February 1, 2015</u>	<u>February 2, 2014</u>
Reconciliation of GAAP to Non-GAAP Net Income		
Attributable to Photronics, Inc. Shareholders		
GAAP net income attributable to Photronics, Inc. shareholders	\$ 3,837	\$ 1,993
(a) Financing expenses, net of tax	901	-
(b) Acquisition transaction expenses, net of tax	-	437
Non-GAAP net income attributable to Photronics, Inc. shareholders	<u>\$ 4,738</u>	<u>\$ 2,430</u>
Reconciliation of GAAP to Non-GAAP Net Income		
Applicable to Common Shareholders		
Weighted average number of diluted shares outstanding		
GAAP	<u>67,020</u>	<u>62,136</u>
Non-GAAP	<u>67,020</u>	<u>62,136</u>
Net income per diluted share		
GAAP	<u>\$ 0.06</u>	<u>\$ 0.03</u>
Non-GAAP	<u>\$ 0.07</u>	<u>\$ 0.04</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 transaction expenses in connection with the acquisition of DNP Photomask Technology Taiwan Co., Ltd., a wholly-owned subsidiary of Dai Nippon Printing Co., Ltd.

[Photronics, Inc.](#)

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