



December 10, 2013

Photronics Reports Fourth Quarter and Fiscal 2013 Results

- Quarterly sales of \$106 million; within revised guidance of \$105 - \$106 million
- Quarterly Non-GAAP diluted EPS of \$0.09; exceeds revised guidance of \$0.06 - \$0.07
- Quarterly Non-GAAP EBITDA of \$27 million
- Quarterly high-end FPD sales increase 11% sequentially to \$18 million
- Working capital increases \$22 million sequentially to \$214 million
- Net cash of \$22 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 fourth quarter and fiscal year ended November 3, 2013.

Constantine ("Deno") Macricostas, Photronics' chairman and chief executive officer, commented: "Photronics' fourth-quarter revenues reflect reduced high-end IC photomask sales, which were affected by decreased demand in memory photomasks due to customer delays in transitioning to new nodes and a delay in fully completing the qualification process with a key Asian foundry customer. Even with softer revenues, we delivered on the bottom line and achieved non-GAAP net income of \$0.09 per diluted share, which exceeded our revised guidance range. Our business model is strong and when we complete our current qualifications and our customers transition to new nodes we expect robust top- and bottom-line growth."

"Following the fourth quarter we entered into an agreement with Dai Nippon Printing Co. Ltd. (DNP) to form a joint venture in Taiwan, adding significant high-end IC growth opportunities and increased capital efficiency. This transaction accelerates our strategy and our progress towards establishing a strong industry leadership position," concluded Macricostas.

Sales for the fourth quarter of fiscal 2013 were \$106 million, compared with \$104.2 million for the fourth quarter of fiscal year 2012. Sales of semiconductor photomasks were \$79.8 million, or 75% of revenues, during the fourth quarter of fiscal 2013, and sales of flat panel display (FPD) photomasks were \$26.2 million, or 25% of revenues. For the fourth quarter of fiscal 2013, GAAP net income attributable to Photronics, Inc. shareholders was \$4.8 million, or \$0.08 per diluted share, compared with \$3.8 million, or \$0.06 per diluted share, for the fourth quarter of fiscal 2012. Non-GAAP net income attributable to Photronics, Inc. shareholders for the fourth quarter of 2013, excluding joint venture transaction expenses of \$0.8 million, was \$5.6 million, or \$0.09 per diluted share. Non-GAAP net income attributable to Photronics, Inc. shareholders for the fourth quarter of 2012, excluding \$0.2 million in consolidation and restructuring charges, was \$4.1 million, or \$0.07 per diluted share.

Sales for the 2013 fiscal year were \$422.2 million, compared with \$450.4 million for the 2012 fiscal year. For the 2013 fiscal year, sales of semiconductor photomasks were \$320.6 million, or 76% of revenues, and sales of FPD photomasks were \$101.6 million, or 24% of revenues. GAAP net income attributable to Photronics, Inc. shareholders for the 2013 fiscal year was \$18.0 million, or \$0.29 per diluted share, compared with GAAP net income of \$27.9 million, or \$0.44 per diluted share, for the 2012 fiscal year. Non-GAAP net income attributable to Photronics, Inc. shareholders for the 2013 fiscal year, excluding joint venture transaction expenses of \$0.8 million, was \$18.7 million, or \$0.30 per diluted share. Non-GAAP net income attributable to Photronics, Inc. shareholders for the 2012 fiscal year, excluding \$1.4 million in consolidation and restructuring charges and a \$0.1 million gain relating to warrants, was \$29.2 million, or \$0.46 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:

- Transaction expenses related to the joint venture in the fourth quarter of fiscal 2013 are excluded because they are not a part of ongoing operations.
- Consolidation and restructuring charges in fiscal 2012 are excluded because they are not a part of ongoing operations.
- Impact related to warrants in fiscal 2012 is excluded because it does not affect cash earnings.

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, December 11, 2013. 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 2014 first 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. 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)

	Three Months Ended		Year Ended	
	November 3, 2013	October 28, 2012	November 3, 2013	October 28, 2012
Net sales	\$ 106,009	\$ 104,219	\$ 422,180	\$ 450,439
Costs and expenses:				
Cost of sales	(79,334)	(79,922)	(322,540)	(338,519)

Selling, general and administrative	(12,928)	(11,396)	(48,213)	(46,706)
Research and development	(6,378)	(5,264)	(20,758)	(19,371)
Consolidation, restructuring and related charges	-	(246)	-	(1,428)
Operating income	7,369	7,391	30,669	44,415
Other expense, net	(1,384)	(1,623)	(3,864)	(3,767)
Income before income taxes	5,985	5,768	26,805	40,648
Income tax provision	(1,072)	(1,551)	(7,229)	(10,793)
Net income	4,913	4,217	19,576	29,855
Net income attributable to noncontrolling interests	(73)	(384)	(1,610)	(1,987)
Net income attributable to Photronics, Inc. shareholders	<u>\$ 4,840</u>	<u>\$ 3,833</u>	<u>\$ 17,966</u>	<u>\$ 27,868</u>
Earnings per share:				
Basic	<u>\$ 0.08</u>	<u>\$ 0.06</u>	<u>\$ 0.30</u>	<u>\$ 0.46</u>
Diluted	<u>\$ 0.08</u>	<u>\$ 0.06</u>	<u>\$ 0.29</u>	<u>\$ 0.44</u>
Weighted-average number of common shares outstanding:				
Basic	<u>61,058</u>	<u>60,196</u>	<u>60,644</u>	<u>60,055</u>
Diluted	<u>61,962</u>	<u>61,052</u>	<u>61,599</u>	<u>76,464</u>

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

	<u>November 3, 2013</u>	<u>October 28, 2012</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 215,615	\$ 218,043
Accounts receivable	73,357	75,685
Inventories	18,849	17,702
Other current assets	<u>10,645</u>	<u>8,364</u>
Total current assets	318,466	319,794
Property, plant and equipment, net	422,740	380,808
Investment in joint venture	93,124	93,252
Intangible assets, net	34,080	37,384
Other assets	<u>17,519</u>	<u>17,996</u>
	<u>\$ 885,929</u>	<u>\$ 849,234</u>

Liabilities and Equity

Current liabilities:

Current portion of long-term borrowings	\$ 11,818	\$ 7,781
Accounts payable and accrued liabilities	<u>92,769</u>	<u>77,732</u>
Total current liabilities	104,587	85,513
Long-term borrowings	182,203	168,956
Other liabilities	11,308	8,764
Equity	<u>587,831</u>	<u>586,001</u>
	<u>\$ 885,929</u>	<u>\$ 849,234</u>

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

(in thousands)

	<u>Year Ended</u>	
	<u>November 3,</u>	<u>October 28,</u>
	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Net income	\$ 19,576	\$ 29,855
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	72,942	85,209
Consolidation, restructuring and related charges	-	262
Changes in assets and liabilities and other	<u>6,883</u>	<u>17,223</u>
Net cash provided by operating activities	<u>99,401</u>	<u>132,549</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(63,792)	(96,978)
Investment in joint venture	-	(13,397)
Other	<u>(2,445)</u>	<u>(1,568)</u>
Net cash used in investing activities	<u>(66,237)</u>	<u>(111,943)</u>
Cash flows from financing activities:		
Proceeds from long-term borrowings	-	25,000
Repayments of long-term borrowings	(8,314)	(5,293)
Repurchase of common stock of subsidiary	(32,374)	(15,598)
Payments of deferred financing fees	(40)	(198)
Proceeds from exercise of share-based arrangements	<u>884</u>	<u>653</u>
Net cash (used in) provided by financing activities	<u>(39,844)</u>	<u>4,564</u>
Effect of exchange rate changes on cash	<u>4,252</u>	<u>2,945</u>
Net increase (decrease) in cash and cash equivalents	(2,428)	28,115
Cash and cash equivalents, beginning of year	<u>218,043</u>	<u>189,928</u>

Cash and cash equivalents, end of year

\$ 215,615 \$ 218,043

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

	Three Months Ended		Year Ended	
	November 3, 2013	October 28, 2012	November 3, 2013	October 28, 2012
Reconciliation of GAAP to Non-GAAP Net Income				
Attributable to Photronics, Inc. Shareholders				
GAAP net income attributable to Photronics, Inc. shareholders	\$ 4,840	\$ 3,833	\$ 17,966	\$ 27,868
(a) Joint venture transaction expenses, net of tax	773	-	773	-
(b) Consolidation and restructuring charges, net of tax	-	246	-	1,428
(c) Impact of warrants, net of tax	-	-	-	(94)
	<u>\$ 5,613</u>	<u>\$ 4,079</u>	<u>\$ 18,739</u>	<u>\$ 29,202</u>
Reconciliation of GAAP to Non-GAAP Net Income				
Applicable to Common Shareholders				
Weighted average number of diluted shares outstanding				
GAAP	<u>61,962</u>	<u>61,052</u>	<u>61,599</u>	<u>76,464</u>
Non-GAAP	<u>61,962</u>	<u>61,052</u>	<u>61,599</u>	<u>76,445</u>
Net income per diluted share				
GAAP	<u>\$ 0.08</u>	<u>\$ 0.06</u>	<u>\$ 0.29</u>	<u>\$ 0.44</u>
Non-GAAP	<u>\$ 0.09</u>	<u>\$ 0.07</u>	<u>\$ 0.30</u>	<u>\$ 0.46</u>

(a) Represents transaction expenses in connection with the joint venture with DNP Photomask Technology Taiwan Co., Ltd., a wholly-owned subsidiary of Dai Nippon Printing Co., Ltd.

(b) Represents consolidation and restructuring charges primarily related to restructuring in Singapore.

(c) Represents impact related to warrants, which is recorded in other expense, net.

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

Source: Photonics, Inc.

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