

Photon Control Reports Third Quarter 2017 Financial Results

Richmond, BC, November 9, 2017 - Photon Control Inc. ("Photon Control" or the "Company") (TSX-V: PHO), a leading developer and supplier of optical measurement technologies to the global semiconductor industry, has reported its financial results for the three and nine month periods ended September 30, 2017.

Third Quarter and Year-to-Date 2017 Highlights

- Third quarter 2017 revenue of \$12.0 million increased 38% versus the prior year quarter and year-to-date revenue of \$32.8 million increased 42% versus the prior year;
- Achieved customer certification and successful completion of the Company's relocation to its newly designed manufacturing facility; and,
- Appointed Michele Klein, an accomplished executive, investor and governance expert, to the Board of Directors.

"We achieved record revenues for the quarter as a result of continuing strong industry growth and customer demand," said Scott Edmonds, Chief Executive Officer. "These record results drove strong cash flow in the quarter. As we look to the fourth quarter, our operations are running efficiently and we believe we are well positioned to meet the demand from our backlog which is also at an all-time high."

Third Quarter and Year-To-Date 2017 Financial Results

Total revenue for the third quarter of 2017 increased 38% from \$8.7 million to a record \$12.0 million, and year-to-date 2017 revenue increased 42% from \$23.2 million to \$32.8 million versus the prior year. The increase in revenue was primarily due to strong overall market conditions in the semiconductor industry and increased share of our customers' spend on fiber optic sensors.

Gross profit in 2017 reflects the benefits of the stronger revenue. Third quarter 2017 gross profit increased 43% to \$6.6 million versus the prior year quarter and 2017 year-to-date gross profit increased 54% to \$18.3 million versus the prior year period. Gross profit margin increased to 54.5% and 55.9% for the three and nine months ended September 30, 2017, which reflects the change in accounting for the royalties paid to the former R&D.

Operating expenses of \$2.9 million and \$11.9 million for the three and nine months ended September 30, 2017 include significant one-time charges of \$0.2 million and \$4.5 million respectively, primarily from three distinct activities. Non-capital expenditures related to the Company's relocation to its new manufacturing facility totaled \$0.2 million for the quarter and \$0.6 million year-to-date; Corporate Changes related to changes to the Board of Directors, CEO and leadership team, including certain litigation costs, totaled \$Nil for the quarter and \$2.9 million year-to-date; and charges related to the acquisition of certain assets of Photon R&D and settlement of all disputes with the former Photon R&D and its principals totaled \$Nil for the quarter, and \$1.0 million year-to-date. Net of non-cash charges and these one-time items, operating expenses were \$2.3 million and \$6.4 million compared to \$1.3 million and \$3.2 million in the same year-ago period, with the run rate increase reflecting investments made to enhance the Company's ability to service its existing revenues and to benefit from future growth opportunities.

Net income before taxes for the quarter was \$2.4 million compared to \$2.9 million for the comparable period of 2016 while for the first nine months of 2017, net income before taxes was \$4.3 million versus \$7.0 million for same year-ago period.

The table below reconciles the net income to adjusted earnings before interest, taxes, depreciation and amortization, foreign exchange and non-recurring items (“Adjusted EBITDA”):

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Net income for the period	\$ 1,672	\$ 2,181	\$ 3,039	\$ 5,165
Add (deduct)				
Finance income	(73)	(71)	(141)	(113)
Income tax expense	700	766	1,302	1,813
Depreciation of property and equipment	263	40	490	111
Amortization of intangible assets	12	15	28	41
Foreign exchange loss (gain)	1,264	(167)	2,182	584
Relocation costs	160	-	571	-
Corporate Changes	-	-	2,953	384
Photon R&D settlement	-	390	951	390
Adjusted EBITDA⁽¹⁾ for the period	\$ 3,998	\$ 3,154	\$ 11,375	\$ 8,375

Net income and total comprehensive income was \$1.7 million or \$0.01 per diluted share and \$3.0 million or \$0.03 per diluted share for the three and nine months ended September 30, 2017 compared to \$2.2 million or \$0.02 per diluted share and \$5.2 million or \$0.05 per diluted share in the prior comparable period.

As at September 30, 2017, cash totaled \$27.0 million versus \$25.1 million at June 30, 2017 and \$32.5 million at December 31, 2016. Although cash decreased from December 31, 2016 due to capital expenditures for the new manufacturing facility, costs incurred on non-recurring operating expenses and the acquisition of Photon R&D; the Company generated \$1.9 million in cash for the three months ended September 30, 2017 as a result of its strong revenue performance and impact of improved quality and efficiencies.

Order backlog (defined as the value of sales orders scheduled to be shipped in the upcoming 12-month period) at quarter-end increased to \$12.6 million from \$11.9 million at June 30, 2017 and \$8.8 million at December 31, 2016.

Stock Option and Restricted Share Unit Grants to Directors and Employees

The Company announces that it has approved a grant of Stock Options and Restricted Share Units in the ordinary course to certain directors and employees, under its Stock Option and Restricted Share Unit Plans to purchase an aggregate of 282,000 common shares of the Company. The exercise price of the options granted will be set at the closing price per share on November 13, 2017. The stock options and restricted share units are subject to the terms of the Company’s Stock Option and Restricted Share Unit Plans and any necessary regulatory approvals.

Conference Call

Photon Control will hold a conference call today (Thursday, November 9, 2017) at 11:00 a.m. Eastern time (8:00 a.m. Pacific time) to discuss these results. The call will be hosted by Scott Edmonds, Chief Executive Officer and Daniel Lee, Chief Financial Officer, followed by a question and answer period.

Please call the conference telephone number 10 minutes prior to the start time. An operator will register your name and organization.

Toll-Free Number: 1-877-407-9716
International Number: 1-201-493-6779

The conference call will be broadcast simultaneously and available for replay [here](#).

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

This news release should be read in conjunction with the Company's condensed interim consolidated financial statements and related notes, and management's discussion and analysis for the three and nine months ending September 30, 2017, copies of which can be found at www.sedar.com.

About Photon Control Inc.

Photon Control Inc. designs, manufactures and distributes a wide range of optical sensors and instruments to measure temperature, position, and flow. These products are used by global Original Equipment Manufacturers (OEM) and end users in the semiconductor and other industries. Photon Control Inc.'s high quality products provide industry leading accuracy and reliability in extreme conditions and are backed by a team of experts providing a variety of on-site and remote services including custom design, installation, training and support. Headquartered in an ISO 9001:2008 manufacturing facility in Richmond, BC, Photon Control Inc. is listed on the TSX Venture Exchange, trading under the symbol "PHO." Additional information about the company can be found at www.photon-control.com/investors.html.

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Forward-Looking Statements

This news release contains “forward-looking statements” within the meaning of applicable Canadian securities legislation. These statements generally can be identified by use of forward looking words such as “may”, “will”, “expect”, “estimate”, “anticipate”, “intend”, “consider”, “believe” or “continue” or the negative thereof or similar variations. Such forward-looking statements concern the business and anticipated financial performance of the Company and include, without limitation, the Company’s expectations with respect to the overall order activity for the balance of the year and the Company’s ability to build on its financial and operational foundation in the future.

These forward-looking statements are based on certain factors and assumptions, including, without limitation: the Company’s ability to successfully complete new purchase orders along the timelines expected; continued and future demand for the Company’s products; continued sales to the Company’s major customers; the continued financial health of the semiconductor industry; and the Company’s ability to continue and further enhance revenue diversification and open new market opportunities.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation: additional measures and controls may not be implemented as expected or along the timelines anticipated; uncertainties relating to the market for the Company’s products and maintaining a stable level of orders; fluctuations in revenue as a result of volatility in the markets and product mix; risks relating to the Company’s present reliance on its major customers for the majority of its sales; risks relating to the Company’s reliance on the financial health of the semiconductor industry; risks relating to the development of competing technologies and the possibility of increased competition; the effect of slow growth in the United States, the Company’s principal market, as well as other economies and other economic trends and conditions in the markets that the Company and its customers serve; risks associated with technical difficulties or delays in product introductions, improvements, implementation; uncertainties in product pricing or other initiatives of the Company and its competitors; uncertainties in factors that may result in a reduction in capital expenditures and/or delayed buying decisions affecting demand for the Company’s products; risks relating to currency fluctuations, particularly between the Canadian and United States dollars; and risks in pursuing additional development projects to support existing customers or pursue other business opportunities.

The foregoing assumptions, risks and uncertainties are not exhaustive of the items that may affect our forward-looking statements. Should underlying assumptions prove to be incorrect or one or more of these risks and uncertainties materialize, actual results may vary materially from those described in the forward-looking statements. The Company’s forward-looking statements are based on beliefs, expectations and opinions of management on the date the statements are made. For the reasons set forth above, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statements included herein if these beliefs, estimates and opinions or other circumstances should change, except as otherwise required by applicable law.

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