

## Photon Control Reports Second Quarter and Half-Year 2019 Financial Results

**Vancouver, BC, August 8, 2019** – Photon Control Inc. (“Photon Control” or the “Company”) (TSX: PHO), a leading developer and supplier of optical measurement technologies to the global semiconductor industry, has reported its financial results for the three and six months ended June 30, 2019.

### Second Quarter 2019 Financial Highlights:

- Revenue of \$7.1 million;
- Earnings before interest, taxes, depreciation, amortization and foreign exchange gain or loss (“EBITDA”) of \$1.2 million or 16.9% of revenue;
- Net income of \$0.1 million;
- Cash and cash equivalents of \$31.4 million at June 30, 2019; and,
- Used cash of \$3.7 million in the quarter to re-purchase 2.8 million shares under the Normal Course Issuer Bid (“NCIB”).

“Photon Control has focused on building a resilient business model and as a result, we generated EBITDA at the high end of guidance for the quarter despite current market weakness,” said Nigel Hunton, Chief Executive Officer. “We continue to execute our strategy of investing in research and development and increasing our focus on customers to maximize our future growth opportunities. We plan to increase our cash position through the rest of the fiscal year as we completed our share buyback program in July 2019 with the aim of strategically investing in initiatives that will drive the long-term growth of the Company.”

### Second Quarter and Half-Year 2019 Financial Results

Total revenue for the second quarter of 2019 decreased 51% from \$14.6 million to \$7.1 million, and for the first half of 2019, revenue decreased 47% from \$28.4 million to \$15.1 million. The Company’s revenues are derived from the semiconductor capital equipment sector, which is highly cyclical in nature, and our results are in line with significant year-over-year declines in wafer fabrication equipment spending for memory following a prolonged multi-year period of growth.

Gross profit for the second quarter of 2019 decreased 53% to \$3.9 million, or 54.8% gross margin versus 56.9% gross margin in 2018, while for the first half of 2019, gross profit was \$8.1 million or 53.6% gross margin versus \$16.2 million or 56.9% gross margin for the comparable period of 2018. The decrease in gross profit and margin was primarily due to lower revenue in the current periods.

Operating expenses for the three months ended June 30, 2019 decreased to \$3.7 million from \$3.8 million in 2018 due to a reorganization of the sales and marketing function and recognition of Government tax credits for research and development activities, partially offset by onboarding and recruiting costs related to the hiring of the Company’s Chief Executive Officer. For the six months ended June 30, 2019, operating expenses were \$7.1 million compared to \$6.9 million in 2018, with the increase being attributable to the overall growth of the engineering workforce and higher development costs incurred for new products.

Net income for the quarter was \$0.1 million or \$0.00 per share compared to \$3.9 million or \$0.03 per share for the comparable period of 2018, while for the first half of 2019, net income was \$0.2 million or \$0.00 per share versus \$6.7 million or \$0.06 per share for the comparable period of 2018.



EBITDA for the three and six months ended June 30, 2019 was \$1.2 million or 16.9% of revenue and \$2.7 million or 17.8% of revenue, compared to \$5.1 million or 35.2% of revenue and \$9.8 million or 34.6% of revenue in the same year-ago periods. The Company defines EBITDA as earnings before interest, taxes, depreciation, amortization and foreign exchange gain or loss.

As at June 30, 2019, cash and cash equivalents was \$31.4 million, a decrease of \$5.9 million from \$37.3 million at March 31, 2019. The decrease was primarily attributable to \$3.7 million of cash used to buy back shares of the Company and \$1.9 million related to the full payment of taxes made to a foreign jurisdiction as part of a voluntary disclosure agreement.

Order backlog (defined as the value of sales orders scheduled to be shipped in the next 6 months) was \$10.7 million at June 30, 2019 compared to \$10.8 million at March 31, 2019. The order backlog reflects the continued slow-down in capital spending from semiconductor manufacturers.

During the six months ended June 30, 2019, the Company re-purchased and cancelled 4.7 million common shares for a total cost of \$6.2 million, in accordance with the share buyback program. During the period from July 1, 2019 to August 6, 2019, the Company re-purchased the remaining 0.8 million common shares available under the NCIB at a cost of \$0.9 million.

### **Business Outlook**

“The semiconductor industry in 2019 continues to operate within an environment of significantly lower levels of capital spending compared to the prior two years. As a result, our recent revenue trajectory reflects not only the reduced build plan for semiconductor process tools but also the continued inventory reduction strategies employed by our customers. As we look to the third quarter, we anticipate our revenues to be in the range of \$6.5 to \$8.5 million,” said Nigel Hunton, Chief Executive Officer. “At this revenue level, we expect our EBITDA margin to increase sequentially over the prior quarter and be in the range of 17% to 21% of revenue. While the duration of the current capital spending environment is still to be determined, we are delivering solid EBITDA performance while maintaining our investments in research and development, and using our cash strategically in order to position us for growth in revenue, profit and shareholder value when the industry inevitably rebounds.”

### **Conference Call**

Photon Control will hold a conference call today (Thursday, August 8, 2019) at 11:00 a.m. Eastern time (8:00 a.m. Pacific time) to discuss these results. The call will be hosted by Nigel Hunton, Chief Executive Officer, and Daniel Lee, Chief Financial Officer, followed by a question and answer period.

Please call the applicable conference telephone number approximately 10 minutes prior to the commencement of the call. The conference call will be broadcast simultaneously and available for replay. Further information can be found at <https://www.photoncontrol.com/investors/>





## Financial Statements and Management's Discussion and Analysis

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 six months ended June 30, 2019, copies of which can be found at [www.sedar.com](http://www.sedar.com).

## About Photon Control Inc.

Photon Control Inc. designs, manufactures and distributes a wide range of optical sensors and systems to measure temperature and position. These products are used by the world's largest wafer fabrication equipment manufacturers and end users in the semiconductor and solid-state industries. Photon Control Inc.'s high quality products provide industry leading accuracy, speed and quality in the most 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. The Company is headquartered in an ISO 9001:2015 manufacturing facility in Vancouver, BC, has a sales and engineering office in San Jose, California, and a sales distribution network in Asia. Photon Control Inc. is listed on TSX, trading under the symbol "PHO." Additional information about the company can be found at <https://www.photoncontrol.com/investors/>

## Investor Relations Contact:

[IR@photoncontrol.com](mailto:IR@photoncontrol.com)



## 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”, “could”, “would”, “should”, “might”, “expect”, “estimate”, “anticipate”, “intend”, “consider”, “believe”, “plan”, “project”, “assume”, “strategy”, “goals”, “objectives”, “potential”, “possible”, “confident” 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 outlook on the long-term prospects of the market and the Company, the Company’s expectations with respect to the overall order activity for the balance of the year, projections of the Company’s revenue, EBITDA, cash position, share buyback, growth in the etch market, timing of the semiconductor industry cycle, cost structure, 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 develop, manufacture and sell new products that meet the needs of its customers and gain commercial acceptance; the Company’s ability to continue to sell its products in line with expected quantity, price and delivery times; the Company’s ability to attract new business; continued and future demand for the Company’s products; continued sales to the Company’s major customers; the Company’s operations not being adversely affected by supply, operating, cyber security, litigation or regulatory risks; the Company’s ability to react to the cyclical nature of the semiconductor industry; and, the Company’s expectations regarding market risk, including interest rate changes, tax changes and foreign currency fluctuations.*

*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 and timing of cycles in 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; risks in pursuing additional development projects to support existing customers or pursue other business opportunities; and such other risks as are identified in the Company’s Annual Information Form and other disclosure documents filed on SEDAR at [www.sedar.com](http://www.sedar.com).*

*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.*