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## Universal Display Corporation Announces Third Quarter 2016 Financial Results

EWING, N.J.--(BUSINESS WIRE)-- [Universal Display Corporation](#) (Nasdaq: OLED), enabling energy-efficient displays and lighting with its UniversalPHOLED® technology and materials, today reported financial results for the third quarter and nine months ended September 30, 2016.

For the third quarter of 2016, the Company reported a net loss of \$1.5 million, or \$0.03 per diluted share, on revenues of \$30.2 million. For the third quarter of 2015, the Company reported net income of \$7.0 million, or \$0.15 per diluted share, on revenues of \$39.4 million.

“Our third quarter 2016 results were in line with our expectations for the year. As we noted last quarter, while our revenue growth expectations have been delayed until 2017, this year has continued to be a meaningful year to build and prepare for that future growth. Leading panel makers are building capacity for the next wave of high volume OLED production to begin ramping next year, OEMs are building new OLED product roadmaps, and we are building our infrastructure to meet the growing needs of our expanding customer base,” said Sidney D. Rosenblatt, Executive Vice President and Chief Financial Officer of Universal Display.

Rosenblatt continued, “As we anticipate resuming our growth trajectory in 2017, we continue to build up our core competencies. The display and lighting industries are evolving, and we believe we are well positioned to continue to play a pivotal role in the OLED market’s future. We have expanded our global footprint, increased our headcount to approximately 200 employees, bolstered our IP portfolio to over 4,200 issued and pending patents worldwide, and continue to broaden our rich portfolio of proprietary OLED technologies and phosphorescent materials. These investments, in addition to our other strategic initiatives, buttress our committed path of continuous innovation and next-generation solutions, our strong leadership position in the OLED ecosystem, and our confidence in the long-term growth path of OLEDs.”

### **Financial Highlights for the Third Quarter of 2016**

The Company reported revenues of \$30.2 million, compared to revenues of \$39.4 million for the same quarter of 2015. Material sales were \$23.5 million, compared to \$34.1 million in the third quarter of 2015, reflecting an \$8.4 million decline in emitter sales, principally due to increased customer production efficiencies and product mix, and a \$2.3 million decline in host material sales. Royalty and license fees were \$5.2 million, unchanged from the third quarter of 2015. Technology development and support revenues were \$1.5 million, compared to \$0.1 million in the third quarter of 2015. The increase was due to customer sales from the recently acquired Adesis subsidiary.

The Company reported an operating loss of \$3.0 million in the third quarter of 2016, compared to operating income of \$8.4 million for the third quarter of 2015. Operating expenses were \$33.2 million, compared to \$31.0 million in the third quarter of 2015, and cost of materials was \$6.5 million, compared to \$7.2 million in the third quarter of 2015. The increase in operating expenses was mainly due to an increase of \$2.7 million in amortization charges associated with the acquisition of the BASF OLED patents and the Adesis business acquisition.

The Company’s balance sheet remained strong, with cash and cash equivalents and investments of \$301.1 million as of September 30, 2016. During the third quarter, the Company added \$32.0 million in intangible assets in the form of customer relationships, internally developed IP, trade names and certain other assets with the Adesis business

acquisition. During the third quarter, the Company generated \$4.1 million in operating cash flow.

## **Financial Highlights for the First Nine Months of 2016**

The Company reported revenues of \$124.3 million during the nine months ended September 30, 2016, compared to revenues of \$128.7 million for the same period of 2015. Material sales were \$70.1 million, compared to \$85.3 million in the first nine months of 2015, primarily due to a \$9.3 million decline in host sales. Royalty and license fees were \$52.6 million, up from \$43.3 million in the first nine months of 2015. Technology development and support revenues were \$1.7 million, compared to \$0.1 million for the first nine months of 2015, the increase primarily due to customer sales from the recently acquired Adesis subsidiary.

The Company reported operating income of \$33.7 million for the first nine months of 2016, compared to operating income of \$5.3 million for the first nine months of 2015. Excluding the inventory write-down of \$33.0 million taken in the second quarter of 2015, adjusted operating income was \$38.3 million for the first nine months of 2015. For the first nine months of 2016, the Company reported net income of \$22.3 million, or \$0.47 per diluted share, compared to a net loss of \$3.4 million, or \$0.07 per diluted share, for the same period of 2015. Excluding the inventory write-down, and the associated \$3.0 million reduction of income tax expense, adjusted net income was \$26.6 million, or \$0.57 per diluted share, for the first nine months of 2015.

Operating cash flow for the first nine months of 2016 was \$40.3 million, compared to \$80.6 million for the first nine months of 2015. Operating cash flow for the first nine months of 2015 included an upfront \$42.0 million license and royalty payment.

## **2016 Guidance**

With the OLED industry still at a stage where many variables can have a material impact on its growth, Universal Display continues to expect its 2016 revenues to be in the range of \$190 million to \$200 million.

## **Conference Call Information**

In conjunction with this release, Universal Display will host a conference call on Thursday, November 3, 2016 at 5:00 p.m. Eastern Time. The live webcast of the conference call can be accessed under the [events](#) portion of the Company's website. Those wishing to participate in the live call should dial 1-877-852-6576 (toll-free) or 1-719-325-4823, and reference conference ID 8357856. Please dial in 5-10 minutes prior to the scheduled conference call time. An online archive of the webcast will be available within two hours of the conclusion of the call.

## **About Universal Display Corporation**

Universal Display Corporation (Nasdaq: OLED) is a leader in developing and delivering state-of-the-art, organic light emitting diode (OLED) technologies, materials and services to the display and lighting industries. Founded in 1994, the Company currently owns or has exclusive, co-exclusive or sole license rights with respect to more than 4,200 issued and pending patents worldwide. Universal Display licenses its proprietary technologies, including its breakthrough high-efficiency UniversalPHOLED® phosphorescent OLED technology that can enable the development of low power and eco-friendly displays and solid-state lighting. The Company also develops and offers high-quality, state-of-the-art UniversalPHOLED materials that are recognized as key ingredients in the fabrication of OLEDs with peak performance. In addition, Universal Display delivers innovative and customized solutions to its clients and partners through technology transfer, collaborative technology development and on-site training.

Based in Ewing, New Jersey, with international offices in Ireland, South Korea, China, Hong Kong, Japan and Taiwan, Universal Display works and partners with a network of world-class organizations, including Princeton University, the University of Southern California, the University of Michigan, and PPG Industries, Inc. The Company has also established relationships with companies such as AU Optronics Corporation, BOE Technology, DuPont Displays, Inc., Innolux

Corporation, Kaneka Corporation, Konica Minolta Technology Center, Inc., LG Display Co., Ltd., Lumiotech, Inc., OLEDWorks LLC, OSRAM, Pioneer Corporation, Samsung Display Co., Ltd., Sumitomo Chemical Company, Ltd., Tianma Micro-electronics and Tohoku Pioneer Corporation. To learn more about Universal Display, please visit <http://www.oled.com>.

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All statements in this document that are not historical, such as those relating to Universal Display Corporation's technologies and potential applications of those technologies, the Company's expected results as well as the growth of the OLED market and the Company's opportunities in that market, are forward-looking financial statements within the meaning of the Private Securities Litigation Reform Act of 1995. You are cautioned not to place undue reliance on any forward-looking statements in this document, as they reflect Universal Display Corporation's current views with respect to future events and are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated. These risks and uncertainties are discussed in greater detail in Universal Display Corporation's periodic reports on Form 10-K and Form 10-Q filed with the Securities and Exchange Commission, including, in particular, the section entitled "Risk Factors" in Universal Display Corporation's annual report on Form 10-K for the year ended December 31, 2015. Universal Display Corporation disclaims any obligation to update any forward-looking statement contained in this document.

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UNIVERSAL DISPLAY CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)  
(in thousands, except share and per share data)

	September 30, 2016	December 31, 2015
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 54,416	\$ 97,513
Short-term investments	231,452	297,981
Accounts receivable	22,476	24,729
Inventory	16,103	12,748
Deferred income taxes	10,084	12,326
Other current assets	7,499	2,387
Total current assets	342,030	447,684
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$30,899 and \$27,897	25,768	22,407
ACQUIRED TECHNOLOGY, net of accumulated amortization of \$65,565 and \$54,837	157,276	72,015
OTHER INTANGIBLE ASSETS, net of accumulated amortization of \$311 and none	16,139	—
GOODWILL	15,548	—
INVESTMENTS	15,217	2,187
DEFERRED INCOME TAXES	12,352	14,945
OTHER ASSETS	423	174
<b>TOTAL ASSETS</b>	<b>\$ 584,753</b>	<b>\$ 559,412</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
CURRENT LIABILITIES:		
Accounts payable	\$ 5,544	\$ 6,849
Accrued expenses	13,190	17,387
Deferred revenue	10,211	10,107
Other current liabilities	1,672	167

Total current liabilities	30,617	34,510
DEFERRED REVENUE	33,454	35,543
RETIREMENT PLAN BENEFIT LIABILITY	24,865	22,594
Total liabilities	88,936	92,647
SHAREHOLDERS' EQUITY:		
Preferred Stock, par value \$0.01 per share, 5,000,000 shares authorized, 200,000 shares of Series A Nonconvertible Preferred Stock issued and outstanding (liquidation value of \$7.50 per share or \$1,500)	2	2
Common Stock, par value \$0.01 per share, 100,000,000 shares authorized, 48,314,591 and 48,132,223 shares issued, and 46,956,728 and 46,774,360 shares outstanding at September 30, 2016 and December 31, 2015, respectively	483	482
Additional paid-in capital	596,453	589,885
Accumulated deficit	(51,376)	(73,627)
Accumulated other comprehensive loss	(9,587)	(9,819)
Treasury stock, at cost (1,357,863 shares at September 30, 2016 and December 31, 2015)	(40,158)	(40,158)
Total shareholders' equity	495,817	466,765
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 584,753	\$ 559,412

UNIVERSAL DISPLAY CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

(in thousands, except share and per share data)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
REVENUE:				
Material sales	\$ 23,465	\$ 34,128	\$ 70,084	\$ 85,270
Royalty and license fees	5,209	5,224	52,569	43,332
Technology development and support revenue	1,540	67	1,656	132
Total revenue	30,214	39,419	124,309	128,734
OPERATING EXPENSES:				
Cost of material sales	6,458	7,246	17,194	54,913
Research and development	10,118	11,434	31,562	32,000
Selling, general and administrative	8,465	7,224	22,728	20,487
Patent costs and amortization of acquired technology and other intangible assets	7,361	4,032	15,515	12,461
Royalty and license expense	815	1,105	3,656	3,563
Total operating expenses	33,217	31,041	90,655	123,424
Operating (loss) income	(3,003)	8,378	33,654	5,310
INTEREST INCOME	573	232	1,565	593
INTEREST EXPENSE	(5)	(7)	(21)	(31)
OTHER (EXPENSE) INCOME	(68)	(16)	(1,982)	342
INCOME (LOSS) BEFORE INCOME TAXES	(2,503)	8,587	33,216	6,214
INCOME TAX BENEFIT (EXPENSE)	1,003	(1,540)	(10,965)	(9,624)
NET INCOME (LOSS)	\$ (1,500)	\$ 7,047	\$ 22,251	\$ (3,410)
NET INCOME (LOSS) PER COMMON SHARE:				
BASIC	\$ (0.03)	\$ 0.15	\$ 0.47	\$ (0.07)
DILUTED	\$ (0.03)	\$ 0.15	\$ 0.47	\$ (0.07)
WEIGHTED AVERAGE SHARES USED IN COMPUTING NET INCOME (LOSS) PER COMMON SHARE:				
BASIC	46,947,621	46,542,556	46,889,913	46,241,578
DILUTED	46,947,621	46,723,373	47,015,262	46,241,578

UNIVERSAL DISPLAY CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)  
(in thousands)

	Nine Months Ended September 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ 22,251	\$ (3,410)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Amortization of deferred revenue	(5,281)	(7,031)
Depreciation	3,002	2,223
Amortization of intangibles	11,039	8,249
Inventory write-down	—	33,000
Amortization of premium and discount on investments, net	(1,316)	(479)
Stock-based compensation to employees	8,231	6,759
Stock-based compensation to Board of Directors and Scientific Advisory Board	1,273	818
Deferred income tax benefit	4,726	4,291
Retirement plan benefit expense	3,004	2,433
Decrease (increase) in assets, net of effect of acquisition:		
Accounts receivable	3,723	(6,275)
Inventory	(3,249)	(9,579)
Other current assets	(4,977)	(167)
Other assets	(249)	193
Increase (decrease) in liabilities, net of effect of acquisition:		
Accounts payable and accrued expenses	(5,134)	1,192
Other current liabilities	(5)	(7)
Deferred revenue	3,296	48,411
Net cash provided by operating activities	40,334	80,621
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(4,361)	(4,650)
Purchase of intangibles	(95,989)	—
Purchase of business, net of cash acquired	(33,163)	—
Purchases of investments	(380,260)	(453,672)
Proceeds from sale of investments	434,683	425,660
Net cash used in investing activities	(79,090)	(32,662)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	317	263
Proceeds from the exercise of common stock options	182	1,629
Payment of withholding taxes related to stock-based compensation to employees	(4,840)	(5,313)
Net cash used in financing activities	(4,341)	(3,421)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(43,097)	44,538
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	97,513	45,418
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 54,416	\$ 89,956
The following non-cash activities occurred:		
Unrealized loss on available-for-sale securities	\$ 256	\$ 9
Common stock issued to Board of Directors and Scientific Advisory Board that was earned and accrued for in a previous period	300	300
Common stock issued to employees that was earned and accrued for in a previous period	1,105	967
Net change in accounts payable and accrued expenses related to purchases of property and equipment	133	(858)
Earnout liability recorded for Adesis acquisition	1,510	—

### Reconciliation of Non-GAAP Measures

The following table details the Company's reconciliation of non-GAAP measures to the most directly comparable GAAP measures:

(unaudited, in thousands, except share and per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Cost of commercial material sales reconciliation				
Cost of commercial material sales	\$ 4,097	\$ 6,989	\$ 12,276	\$ 54,502
Cost of commercial material sales adjustments:				
Inventory write-down	—	—	—	33,000
Adjusted cost of commercial material sales	\$ 4,097	\$ 6,989	\$ 12,276	\$ 21,502

Cost of commercial material sales as a % of commercial material sales	21%	23%	20%	70%
Adjusted cost of commercial material sales as a % of commercial material sales	21%	23%	20%	28%
<b>Operating income (loss) reconciliation</b>				
Operating income (loss)	\$ (3,003)	\$ 8,378	\$ 33,654	\$ 5,310
Operating income (loss) adjustments:				
Inventory write-down	—	—	—	33,000
Adjusted operating income	<u>\$ (3,003)</u>	<u>\$ 8,378</u>	<u>\$ 33,654</u>	<u>\$ 38,310</u>
Operating income (loss) as a % of total revenue	(10)%	21%	27%	4%
Adjusted operating income as a % of total revenue	(10)%	21%	27%	30%
<b>Net income (loss) reconciliation</b>				
Net income (loss)	\$ (1,500)	\$ 7,047	\$ 22,251	\$ (3,410)
Net income (loss) per share:				
Basic	\$ (0.03)	\$ 0.15	\$ 0.47	\$ (0.07)
Diluted	\$ (0.03)	\$ 0.15	\$ 0.47	\$ (0.07)
Net income (loss) adjustments:				
Inventory write-down	—	—	—	33,000
Income tax effect of inventory write-down*	—	(1,104)	—	(2,964)
Adjusted net income	<u>\$ (1,500)</u>	<u>\$ 5,943</u>	<u>\$ 22,251</u>	<u>\$ 26,626</u>
Net income (loss) as a % of total revenue	(5)%	18%	18%	(3)%
Adjusted net income as a % of total revenue	(5)%	15%	18%	21%
Adjusted net income per share:				
Basic **	\$ (0.03)	\$ 0.13	\$ 0.47	\$ 0.58
Diluted ***	\$ (0.03)	\$ 0.13	\$ 0.47	\$ 0.57
Weighted average shares used in computing net income (loss) per share and adjusted net income per share:				
Basic	46,947,621	46,542,556	46,889,913	46,241,578
Diluted	46,947,621	46,723,373	47,015,262	46,241,578

\* Adjusted net income assumes an effective tax rate of 30.8% and 32.1% for the three months and nine months ended September 30, 2015 based on excluding the impact of the inventory write down.

\*\* Adjusted net income per common share, basic, is derived from dividing adjusted net income by the number of weighted average shares used in computing basic net income per common share.

\*\*\* Adjusted net income per common share, diluted, for the nine months ended September 30, 2015 is derived from dividing non-GAAP adjusted net income by the weighted average shares of 46,870,998.

## Non-GAAP Measures

To supplement the Company's selected financial data presented in accordance with U.S. generally accepted accounting principles (GAAP), the Company uses certain non-GAAP measures. These non-GAAP measures include adjusted operating income, adjusted cost of commercial material sales, adjusted net income, adjusted net income per common share, basic and adjusted net income per common share, diluted.

Each of these non-GAAP measures excludes the effect of the 2015 write-down of primarily existing host materials that were not included in its customer's new products. The Company has provided these non-GAAP measures, which the Company believes more accurately reflect the operating performance of its ongoing business, to enhance investors' overall understanding of the Company's current financial performance and period-to-period comparisons. The presentation of non-GAAP measures is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP.

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