

11/6/2008

Universal Display Corporation Announces Third Quarter 2008 Financial Results

EWING, N.J.--([BUSINESS WIRE](#))--Universal Display Corporation (NASDAQ:PANL), a major force behind today's evolving displays and lighting with its Universal PHOLED™ phosphorescent OLED technology, today announced its results for the quarter ended September 30, 2008.

“Commercial revenue remained constant during the third quarter of 2008 when compared with the same quarter of 2007, and increased for the first nine months of 2008 versus the same period in 2007. We are encouraged by the continued adoption of and new opportunities for our UniversalPHOLED technology”

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For the third quarter of 2008, the Company reported a net loss of \$5,302,983, or \$(0.15) per diluted share, versus a net loss of \$2,960,565, or \$(0.08) per diluted share, for the third quarter of 2007.

“The rise in net loss was partially attributable to a decline in revenue of approximately \$450,000 and a decrease of \$570,000 in interest income, due to reduced rates of return of investments. This quarter also saw an increase in operating expenses, specifically research and development, compared to the third quarter of 2007, which had been lower than average. Operating expenses for the third quarter of 2008 were in line with the prior quarters of 2008,” said Sidney D. Rosenblatt, Executive Vice President and Chief Financial Officer of Universal Display.

For the nine months ended September 30, 2008, net loss totalled \$14,702,158, or \$(0.41) per diluted share, versus a net loss of \$12,719,737, or \$(0.38) per diluted share for the same period of 2007.

Operating expenses for the third quarter of 2008 were \$8,458,503, compared to \$7,150,030 for the same period of 2007, and \$24,357,777 for the nine months ended September 30, 2008, compared to \$23,647,095 for the same period of 2007.

Cash used in operating activities was \$522,950 and \$6,801,677 for the three months and nine months ended September 30, 2008, compared to \$2,575,906 and \$9,450,432 for the same periods in 2007. The main reason for reduced cash used in operating activities was that during the third quarter of 2008, the Company received \$2,200,000 in fees from customers for licenses, technical assistance and joint development work. The Company recorded these fees as deferred revenue and began recognizing a portion of them in the third quarter.

Revenues for the third quarter of 2008 were \$2,625,639, compared to \$3,077,281 for the third quarter of 2007. Commercial revenue, which includes commercial chemical revenue, license fees and royalty income, was \$1,324,924 for the quarter, compared to \$1,368,201 for the third quarter of 2007. Developmental revenue, which includes contract research revenue, technology development revenue and development chemical revenue, were \$1,300,715 for the quarter, compared to \$1,709,080 for the third quarter of 2007. Commercial revenue stayed relatively constant on a quarter-over-quarter basis because revenues from the Company's licensee, Samsung SDI, were essentially the same.

For the nine months ended September 30, 2008, the Company reported revenues of \$7,488,056, compared to \$8,407,081 for the same period of 2007. Commercial revenue for the first nine months of 2008 increased to \$4,275,476, compared to \$3,202,027 for the same period of 2007. Developmental revenue for the first nine months of 2008 decreased to \$3,212,580, compared to \$5,205,054 for the same period of 2007.

“Commercial revenue remained constant during the third quarter of 2008 when compared with the same quarter of 2007, and increased for the first nine months of 2008 versus the same period in 2007. We are encouraged by the continued adoption of and new opportunities for our UniversalPHOLED technology,” said Mr. Rosenblatt. “While Samsung SDI’s production capacity remained on level with the same quarter of 2007, they reported that their AMOLED displays are being increasingly integrated into mobile devices like cell phones and MP3 players. In addition, Samsung SDI has showcased recent product prototypes for AMOLED televisions and larger area displays, flexible OLED screens, and more. It is clear they are committed to AMOLED display production both financially and developmentally.”

Mr. Rosenblatt continued, “The quarter also saw a number of exciting developments in using UniversalPHOLED technology for white lighting applications. During the quarter, we announced a technology license agreement with Konica Minolta for white lighting devices and applications, and we continued to make significant advances in the brightness and lifetime of our white OLEDs. At this time, we view white lighting as a potentially lucrative second revenue stream for our technology in the near future.”

The Company’s balance sheet remained strong at quarter end, with cash, cash equivalents and short-term investments totalling \$79,059,836 as of September 30, 2008, compared to \$83,659,657 as of December 31, 2007.

Mr. Rosenblatt concluded, “We continue to prudently manage our resources. Our operating expenses averaged approximately \$8.1 million per quarter for the first three quarters of 2008, compared to operating expenses for the year 2007 that averaged approximately \$7.9 million per quarter. This is consistent with our expectations.”

In conjunction with this release, Universal Display will host a conference call, followed by a question and answer session, on Thursday, November 6th, at 5:00 p.m. Eastern Time. Interested parties may participate by calling 706-634-1395 at 4:55 p.m. Eastern Time and referencing conference PIN 70942431. A taped replay of the conference call will be available within two hours of the conclusion of the call and will remain available through Saturday, December 6th, 2008. The number to call for the taped replay is 800-642-1687 and the conference PIN is 70942431.

The conference call will be simultaneously broadcast live over the Internet through a webcast on the Universal Display website. To access the call, please visit the website at <http://tinyurl.com/5cvkxg>. 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 is a world leader in developing and commercializing innovative OLED technologies and materials for use in flat panel displays, solid-state lighting products, electronic communications and other opto-electronic devices. Universal Display is working with a network of world-class organizations, including Princeton University, the University of Southern California, the University of Michigan, and PPG Industries, Inc. Universal Display has also established numerous commercial relationships with companies such as Chi Mei EL Corporation, DuPont Displays, Inc., Konica Minolta Technology Center, Inc., LG Display Co., Ltd., Samsung SDI Co., Seiko Epson Corporation, Sony Corporation, Tohoku Pioneer Corporation and Toyota Industries Corporation. Universal Display currently owns or has exclusive, co-exclusive or sole license rights with respect to more than 850 issued and pending patents worldwide.

Universal Display is located in the Princeton Crossroads Corporate Center in Ewing, New Jersey. Universal Display’s state-of-the-art facility is designed to further technology and materials development, technology transfer to manufacturing partners and work with customers to develop OLED products that meet their needs. Visit Universal Display on the Web at www.universaldisplay.com.

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, are forward-looking 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, 2007. Universal Display Corporation disclaims any obligation to update any forward-looking statement contained in this document.

UNIVERSAL DISPLAY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	September 30, 2008	December 31, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$54,415,132	\$33,870,696
Short-term investments	24,644,704	49,788,961
Accounts receivable	1,792,761	2,395,416
Inventory	2,209	41,165
Other current assets	649,900	673,931
Total current assets	81,504,706	86,770,169
PROPERTY AND EQUIPMENT, net	13,275,767	13,525,714
ACQUIRED TECHNOLOGY, net	3,353,112	4,624,416
OTHER ASSETS	72,272	79,772
Total assets	\$98,205,857	\$105,000,071
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$1,673,009	\$861,428
Accrued expenses	4,733,161	4,578,147
Deferred license fees	6,148,268	7,178,268
Deferred revenue	1,787,634	172,688
Total current liabilities	14,342,072	12,790,531
DEFERRED LICENSE FEES	3,577,437	2,454,900
DEFERRED REVENUE	375,000	538,683
Total liabilities	18,294,509	15,784,114
SHAREHOLDERS' EQUITY:		
Preferred Stock, par value \$.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 \$1,500,000)	2,000	2,000
Common Stock, par value \$.01 per share, 50,000,000 shares authorized, 36,029,665 and 35,563,201 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively	360,297	355,632
Additional paid-in capital	255,591,116	250,240,994
Unrealized loss on available for sale securities	(7,440)	(50,202)
Accumulated deficit	(176,034,625)	(161,332,467)
Total shareholders' equity	79,911,348	89,215,957
Total liabilities and shareholders' equity	\$98,205,857	\$105,000,071

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

Three Months Ended September

	30, 2008		2007	
REVENUE				
Commercial revenue	\$ 1,324,924		\$ 1,368,201	
Developmental revenue	1,300,715		1,709,080	
Total revenue	2,625,639		3,077,281	
OPERATING EXPENSES:				
Cost of chemicals sold	266,563		281,062	
Research and development	5,750,361		4,568,299	
General and administrative	2,342,962		2,209,537	
Royalty and license expense	98,617		91,132	
Total operating expenses	8,458,503		7,150,030	
Operating loss	(5,832,864)	(4,072,749)
INTEREST INCOME	545,561		1,114,769	
INTEREST EXPENSE	(15,680)	(2,585)
NET LOSS	\$ (5,302,983)	\$ (2,960,565)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	\$ (0.15)	\$ (0.08)
WEIGHTED AVERAGE SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS PER COMMON SHARE	35,989,473		34,985,918	

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

	Nine Months Ended September			
	30, 2008	2007		
REVENUE				
Commercial revenue	\$ 4,275,476	\$ 3,202,027		
Developmental revenue	3,212,580	5,205,054		
Total revenue	7,488,056	8,407,081		
OPERATING EXPENSES:				
Cost of chemicals sold	709,001	727,650		
Research and development	15,955,238	15,565,452		
General and administrative	7,396,452	7,131,268		
Royalty and license expense	297,086	222,725		
Total operating expenses	24,357,777	23,647,095		
Operating loss	(16,869,721)	(15,240,014)
INTEREST INCOME	2,202,123		2,523,467	
INTEREST EXPENSE	(34,560)	(3,190)
NET LOSS	\$ (14,702,158)	\$ (12,719,737)
BASIC AND DILUTED NET LOSS PER COMMON SHARE	\$ (0.41)	\$ (0.38)
WEIGHTED AVERAGE SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS PER COMMON SHARE	35,887,264		33,230,574	

UNIVERSAL DISPLAY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

Nine Months Ended September 30,
2008 2007

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss	\$ (14,702,158) \$ (12,719,737
Non-cash charges to statement of operations:		
Depreciation	1,421,274	1,347,549
Amortization of intangibles	1,271,304	1,271,304
Amortization of premium and discount on investments	(942,761) (189,306
Stock-based employee compensation	895,869	803,693
Stock-based non-employee compensation	4,119	9,497
Non-cash expense under a Development Agreement	882,540	745,453
Stock-based compensation to Board of Directors and Scientific Advisory Board	345,691	318,997
(Increase) decrease in assets:		
Accounts receivable	602,655	(376,575
Inventory	38,956	28,389
Other current assets	24,031	(139,669
Other assets	7,500	7,500
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,805,503	(526,381
Deferred license fees	92,537	(383,700
Deferred revenue	1,451,263	352,554
Net cash used in operating activities	(6,801,677) (9,450,432
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(1,171,327) (661,591
Purchases of investments	(62,028,220) (27,344,981
Proceeds from sale of investments	88,158,000	22,543,000
Net cash provided by (used in) investing activities	24,958,453	(5,463,572
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of common stock	-	38,000,023
Proceeds from exercise of common stock option and warrants	2,387,660	6,422,284
Net cash provided by financing activities	2,387,660	44,422,307
INCREASE IN CASH AND CASH EQUIVALENTS	20,544,436	29,508,303
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	33,870,696	31,097,533
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 54,415,132	\$ 60,605,836

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