

11/3/2022

## Universal Display Corporation Announces Third Quarter 2022 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 ended September 30, 2022.

“We are pleased to report solid third quarter results, which includes record quarterly revenues. As we look ahead, we believe that the long-term growth path of the OLED industry remains strong. We are continuing to execute on our strategic initiatives and are investing in our R&D programs, our people and our global infrastructure,” said Brian Millard, Vice President and Chief Financial Officer of Universal Display Corporation. “While macroeconomic factors will likely weigh on near-term demand, we see a bright future for the OLED industry and for us in the years ahead with continued OLED market proliferation, investments in new OLED capacity and a broadening company portfolio of innovative technologies and state-of-the-art OLED materials.”

Millard continued, “I am excited to have joined Universal Display Corporation, an extraordinary pioneer in the OLED industry for more than 25 years. With our brilliant team, cutting-edge initiatives, lean operating model and strong balance sheet, the Company is well poised for continued advancement in the growing OLED market. I look forward to working with the entire UDC team to continue to build upon our strong culture of inventiveness, integrity, inclusion and imagination and deliver on the Company’s mission of being a critical enabler in the OLED ecosystem.”

### Financial Highlights for the Third Quarter of 2022

- Total revenue in the third quarter of 2022 was \$160.6 million as compared to \$143.6 million in the third quarter of 2021. As with the prior quarter, the near-term weakness in the overall global market economy is expected to have an impact on forecasted demand for OLED products utilizing our emitter material over the remaining life of certain customers’ contracts compared to prior estimates, resulting in recording a positive cumulative catch-up adjustment to total revenue of \$6.6 million arising from changes in estimates of transaction price.
- Revenue from material sales was \$84.2 million in the third quarter of 2022 as compared to \$75.6 million in the third quarter of 2021. This increase was primarily the result of higher unit material volume.
- Revenue from royalty and license fees was \$71.5 million in the third quarter of 2022 as compared to \$63.9 million in the third quarter of 2021. This increase was primarily the result of higher unit material volume and customer mix.
- Cost of material sales was \$34.1 million in the third quarter of 2022 as compared to \$28.9 million in the third quarter of 2021. Cost of material sales was impacted by underutilization of the new production facility in Shannon, Ireland. We recently commenced bringing this additional capacity online in preparation for anticipated growth in the years ahead.
- Total gross margin was 77% in the third quarter of 2022 as compared to 78% in the third quarter of 2021. The decrease was in part due to costs associated with the Shannon facility in 2022, which contributed to a 2% decrease in total gross margin between the periods.
- Operating income was \$68.5 million in the third quarter of 2022 as compared to \$57.7 million in the third quarter of 2021.
- Net income was \$53.5 million or \$1.12 per diluted share in the third quarter of 2022 as compared to \$46.1 million or \$0.97 per diluted share in the third quarter of 2021.

### Revenue Comparison

---

(\$ in thousands)

Material sales  
Royalty and license fees  
Contract research services  
Total revenue

Three Months Ended September 30,

|    | 2022           | 2021              |
|----|----------------|-------------------|
| \$ | 84,182         | \$ 75,609         |
|    | 71,450         | 63,939            |
|    | 4,924          | 4,070             |
| \$ | <u>160,556</u> | <u>\$ 143,618</u> |

### **Cost of Materials Comparison**

---

(\$ in thousands)

Material sales  
Cost of material sales  
Gross margin on material sales  
Gross margin as a % of material sales

Three Months Ended September 30,

|    | 2022          | 2021          |
|----|---------------|---------------|
| \$ | 84,182        | \$ 75,609     |
|    | <u>34,057</u> | <u>28,883</u> |
|    | 50,125        | 46,726        |
|    | 60%           | 62%           |

### **Financial Highlights for the First Nine Months of 2022**

- Total revenue in the first nine months of 2022 was \$447.6 million as compared to \$407.3 million in the first nine months of 2021. As with the prior quarter, the near-term weakness in the overall global market economy is expected to have an impact on forecasted demand for OLED products utilizing our emitter material over the remaining life of several customers' contracts compared to prior estimates, resulting in recording a positive cumulative catch-up adjustment to total revenue of \$17.3 million arising from changes in estimates of transaction price.
- Revenue from material sales was \$242.7 million in the first nine months of 2022 as compared to \$232.9 million in the first nine months of 2021. This increase was primarily the result of higher unit material volume.
- Revenue from royalty and license fees was \$191.5 million in the first nine months of 2022 as compared to \$163.0 million in the first nine months of 2021. This increase was primarily the result of higher unit material volume and customer mix.
- Cost of material sales was \$89.0 million in the first nine months of 2022 as compared to \$75.2 million in the first nine months of 2021.
- Total gross margin was 78% in the first nine months of 2022 as compared to 80% in the first nine months of 2021. Shannon facility costs in 2022 contributed to a 1% decrease in total gross margin between periods.
- Operating income was \$184.0 million in the first nine months of 2022 as compared to \$171.2 million in the first nine months of 2021.
- Net income was \$144.9 million or \$3.04 per diluted share in the first nine months of 2022 as compared to \$138.3 million or \$2.90 per diluted share in the first nine months of 2021.

### **Revenue Comparison**

---

(\$ in thousands)

Material sales  
Royalty and license fees  
Contract research services  
Total revenue

Nine Months Ended September 30,

|    | 2022           | 2021              |
|----|----------------|-------------------|
| \$ | 242,742        | \$ 232,855        |
|    | 191,530        | 163,037           |
|    | 13,315         | 11,386            |
| \$ | <u>447,587</u> | <u>\$ 407,278</u> |

### **Cost of Materials Comparison**

(\$ in thousands)

Material sales  
Cost of material sales  
Gross margin on material sales  
Gross margin as a % of material sales

Nine Months Ended September 30,

|    | 2022           | 2021           |
|----|----------------|----------------|
| \$ | 242,742        | \$ 232,855     |
|    | 88,999         | 75,198         |
|    | <u>153,743</u> | <u>157,657</u> |
|    | 63%            | 68%            |

## **2022 Affirmed Guidance**

The Company affirms its previous revenue guidance and believes that 2022 revenue will be approximately \$600 million, plus or minus \$10 million. The OLED industry remains at a stage where many variables can have a material impact on its growth, and the Company thus caveats its financial guidance accordingly.

## **Dividend**

The Company also announced a fourth quarter cash dividend of \$0.30 per share on the Company's common stock. The dividend is payable on December 30, 2022 to all shareholders of record on December 16, 2022.

## **Conference Call Information**

In conjunction with this release, Universal Display will host a conference call on Thursday, November 3, 2022 at 5:00 p.m. Eastern Time. The live webcast of the conference call can be accessed under the [events](#) page of the Company's Investor Relations website at [ir.oled.com](http://ir.oled.com). Those wishing to participate in the live call should dial 1-877-524-8416 (toll-free) or 1-412-902-1028. 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 the research, development and commercialization of organic light emitting diode (OLED) technologies and materials for use in display and solid-state lighting applications. Founded in 1994 and with subsidiaries and offices around the world, the Company currently owns, exclusively licenses or has the sole right to sublicense more than 5,500 patents issued and pending worldwide. Universal Display licenses its proprietary technologies, including its breakthrough high-efficiency UniversalPHOLED® phosphorescent OLED technology that can enable the development of energy-efficient 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. To learn more about Universal Display Corporation, please visit <https://oled.com/>.

Universal Display Corporation and the Universal Display Corporation logo are trademarks or registered trademarks of Universal Display Corporation. All other company, brand or product names may be trademarks or registered trademarks.

All statements in this document that are not historical, such as those relating to the projected adoption, development and advancement of the Company's technologies, and the Company's expected results and future declaration of dividends, 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, 2021. Universal Display Corporation disclaims any obligation to update any forward-looking statement contained in this document.

# Follow Universal Display Corporation

[Twitter](#)

[Facebook](#)

[YouTube](#)

(OLED-C)

## UNIVERSAL DISPLAY CORPORATION AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(in thousands, except share and per share data)

|   | September 30,<br>2022 | December 31,<br>2021 |
|---|-----------------------|----------------------|
| <b>ASSETS</b>   |                       |                      |
| <b>CURRENT ASSETS:</b>  |                       |                      |
| Cash and cash equivalents   | \$ 187,750            | \$ 311,993           |
| Short-term investments  | 501,051               | 351,194              |
| Accounts receivable   | 78,193                | 107,639              |
| Inventory   | 180,194               | 134,160              |
| Other current assets  | 30,005                | 20,948               |
| Total current assets  | <u>977,193</u>        | <u>925,934</u>       |
| PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$110,334 and \$92,461   | 137,713               | 128,832              |
| ACQUIRED TECHNOLOGY, net of accumulated amortization of \$187,132 and \$173,635   | 40,921                | 49,668               |
| OTHER INTANGIBLE ASSETS, net of accumulated amortization of \$8,631 and \$7,565   | 8,657                 | 9,711                |
| GOODWILL  | 15,535                | 15,535               |
| INVESTMENTS   | 173,871               | 168,076              |
| DEFERRED INCOME TAXES   | 43,005                | 33,453               |
| OTHER ASSETS  | 133,428               | 135,710              |
| <b>TOTAL ASSETS</b>   | <u>\$ 1,530,323</u>   | <u>\$ 1,466,919</u>  |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>   |                       |                      |
| <b>CURRENT LIABILITIES:</b>   |                       |                      |
| Accounts payable  | \$ 13,357             | \$ 14,955            |
| Accrued expenses  | 49,975                | 45,474               |
| Deferred revenue  | 67,254                | 120,864              |
| Other current liabilities   | 7,613                 | 6,645                |
| Total current liabilities   | <u>138,199</u>        | <u>187,938</u>       |
| DEFERRED REVENUE  | 26,761                | 36,217               |
| RETIREMENT PLAN BENEFIT LIABILITY   | 67,305                | 66,773               |
| OTHER LIABILITIES   | 86,233                | 76,077               |
| Total liabilities   | <u>318,498</u>        | <u>367,005</u>       |
| <b>SHAREHOLDERS' EQUITY:</b>  |                       |                      |
| 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, 200,000,000 shares authorized, 49,128,525 and 49,065,924 shares issued, and 47,762,877 and 47,700,276 shares outstanding, at September 30, 2022 and December 31, 2021, respectively | 491                   | 491                  |
| Additional paid-in capital  | 674,773               | 658,728              |
| Retained earnings   | 602,399               | 500,212              |
| Accumulated other comprehensive loss  | (24,556)              | (18,235)             |
| Treasury stock, at cost (1,365,648 shares at September 30, 2022 and December 31, 2021)  | (41,284)              | (41,284)             |
| Total shareholders' equity  | <u>1,211,825</u>      | <u>1,099,914</u>     |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>   | <u>\$ 1,530,323</u>   | <u>\$ 1,466,919</u>  |

## UNIVERSAL DISPLAY CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(in thousands, except share and per share data)

|                            | Three Months Ended<br>September 30, |                | Nine Months Ended<br>September 30, |                |
|----------------------------|-------------------------------------|----------------|------------------------------------|----------------|
|                            | 2022                                | 2021           | 2022                               | 2021           |
| <b>REVENUE:</b>            |                                     |                |                                    |                |
| Material sales             | \$ 84,182                           | \$ 75,609      | \$ 242,742                         | \$ 232,855     |
| Royalty and license fees   | 71,450                              | 63,939         | 191,530                            | 163,037        |
| Contract research services | 4,924                               | 4,070          | 13,315                             | 11,386         |
| Total revenue              | <u>160,556</u>                      | <u>143,618</u> | <u>447,587</u>                     | <u>407,278</u> |
| <b>COST OF SALES</b>       | <u>37,396</u>                       | <u>31,481</u>  | <u>97,798</u>                      | <u>82,748</u>  |

|  |            |            |            |            |
|--|------------|------------|------------|------------|
| Gross margin   | 123,160    | 112,137    | 349,789    | 324,530    |
| OPERATING EXPENSES:  |            |            |            |            |
| Research and development   | 30,414     | 25,327     | 85,156     | 72,733     |
| Selling, general and administrative                                    | 18,442     | 20,960     | 59,373     | 57,603     |
| Amortization of acquired technology and other intangible assets        | 3,562      | 5,505      | 14,562     | 16,490     |
| Patent costs   | 2,018      | 2,359      | 6,075      | 6,003      |
| Royalty and license expense  | 261        | 258        | 596        | 519        |
| Total operating expenses   | 54,697     | 54,409     | 165,762    | 153,348    |
| OPERATING INCOME   | 68,463     | 57,728     | 184,027    | 171,182    |
| Interest income, net   | 2,432      | 137        | 4,306      | 345        |
| Other (loss) income, net   | (804)      | (102)      | (749)      | 178        |
| Interest and other income, net   | 1,628      | 35         | 3,557      | 523        |
| INCOME BEFORE INCOME TAXES   | 70,091     | 57,763     | 187,584    | 171,705    |
| INCOME TAX EXPENSE   | (16,636)   | (11,654)   | (42,657)   | (33,368)   |
| NET INCOME   | \$ 53,455  | \$ 46,109  | \$ 144,927 | \$ 138,337 |
| NET INCOME PER COMMON SHARE:   |            |            |            |            |
| BASIC  | \$ 1.12    | \$ 0.97    | \$ 3.04    | \$ 2.91    |
| DILUTED  | \$ 1.12    | \$ 0.97    | \$ 3.04    | \$ 2.90    |
| WEIGHTED AVERAGE SHARES USED IN COMPUTING NET INCOME PER COMMON SHARE: |            |            |            |            |
| BASIC  | 47,396,495 | 47,291,192 | 47,386,426 | 47,286,927 |
| DILUTED  | 47,466,934 | 47,362,575 | 47,455,893 | 47,355,583 |
| CASH DIVIDENDS DECLARED PER COMMON SHARE                               | \$ 0.30    | \$ 0.20    | \$ 0.90    | \$ 0.60    |

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

|  | Nine Months Ended September 30, |            |
|--|---------------------------------|------------|
|  | 2022                            | 2021       |
| CASH FLOWS FROM OPERATING ACTIVITIES:  |                                 |            |
| Net income   | \$ 144,927                      | \$ 138,337 |
| Adjustments to reconcile net income to net cash provided by operating activities:  |                                 |            |
| Amortization of deferred revenue and recognition of unbilled receivables, net  | (201,529)                       | (165,723)  |
| Depreciation   | 17,982                          | 14,471     |
| Amortization of intangibles  | 14,562                          | 16,490     |
| Change in excess inventory reserve   | 2,368                           | 2,058      |
| Amortization of premium and discount on investments, net   | (3,469)                         | (229)      |
| Stock-based compensation to employees  | 22,528                          | 22,846     |
| Stock-based compensation to Board of Directors and Scientific Advisory Board   | 1,121                           | 1,052      |
| Deferred income tax (benefit) expense  | (7,876)                         | 4,226      |
| Retirement plan expense  | 3,998                           | 6,676      |
| Decrease (increase) in assets:   |                                 |            |
| Accounts receivable  | 29,446                          | (13,974)   |
| Inventory  | (48,402)                        | (31,952)   |
| Other current assets   | (3,555)                         | (13,626)   |
| Other assets   | 2,282                           | (33,540)   |
| Increase (decrease) in liabilities:  |                                 |            |
| Accounts payable and accrued expenses  | 7,217                           | (3,311)    |
| Other current liabilities  | (543)                           | (1,429)    |
| Deferred revenue   | 132,961                         | 160,021    |
| Other liabilities  | 10,156                          | 31,933     |
| Net cash provided by operating activities  | 124,174                         | 134,326    |
| CASH FLOWS FROM INVESTING ACTIVITIES:  |                                 |            |
| Purchases of property and equipment  | (31,119)                        | (29,496)   |
| Purchases of intangibles   | (4,761)                         | (394)      |
| Purchases of investments   | (464,766)                       | (272,340)  |
| Proceeds from sale and maturity of investments   | 302,872                         | 115,240    |
| Net cash used in investing activities  | (197,774)                       | (186,990)  |
| CASH FLOWS FROM FINANCING ACTIVITIES:  |                                 |            |
| Proceeds from issuance of common stock   | 1,247                           | 1,136      |
| Payment of withholding taxes related to stock-based compensation to employees  | (9,150)                         | (14,880)   |
| Cash dividends paid  | (42,740)                        | (28,447)   |
| Net cash used in financing activities  | (50,643)                        | (42,191)   |
| DECREASE IN CASH AND CASH EQUIVALENTS  | (124,243)                       | (94,855)   |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD   | 311,993                         | 630,012    |
| CASH AND CASH EQUIVALENTS, END OF PERIOD   | \$ 187,750                      | \$ 535,157 |
| The following non-cash activities occurred:  |                                 |            |
| Unrealized loss on available-for-sale securities   | \$ (9,711)                      | \$ (39)    |
| Common stock issued to Board of Directors and Scientific Advisory Board that was earned and accrued for in a previous period | 300                             | 300        |
| Net change in accounts payable and accrued expenses related to purchases of property and equipment                           | 4,256                           | (1,849)    |

View source version on [businesswire.com](https://www.businesswire.com/news/home/20221103006253/en/): <https://www.businesswire.com/news/home/20221103006253/en/>

Darice Liu  
[investor@oled.com](mailto:investor@oled.com)  
[media@oled.com](mailto:media@oled.com)  
+1 609-964-5123

Source: Universal Display Corporation