

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.



August 10, 2018

ProPhotonix Limited

("ProPhotonix" or the "Company")

### **Trading update and De-restriction of Restricted Stock Line**

ProPhotonix Limited (London Stock Exchange - AIM: PPIX and PPIR, OTC: STKR), a high technology designer and manufacturer of LED illumination systems and laser diode modules, with operations in Ireland and the United Kingdom, today announces a trading update for the six months ended June 30, 2018 (H1-2018) and pending move of restricted shares (PPIR) to free-trading unrestricted shares (STKR/PPIX).

#### **Trading Update**

Revenue for H1-2018 is expected to be approximately \$8.8 million, an increase of 4% over the 2017 comparable figure (H1-2017: \$8.5 million). Increased revenue was generated from higher sales to several major customers, although this was less than internal Company expectations. These gains were partly offset by a decrease in sales from one large customer that converted to an alternate technology in the second quarter of 2017 (as previously announced on July 14, 2017). Finally, the first half revenue was impacted by delayed shipments of products valued at approximately \$0.5 million that had been expected to be recognized in H1-2018 but will instead be recognized in H2-2018.

A competitive market environment, revenue mix and higher component costs have contributed to gross profit margins declining to approximately 39% in H1-2018 (H1-2017: 44%). Higher SG&A expenses, mainly in respect of stock based compensation expense, have adversely impacted the operating and net income for H1-2018 as compared to H1-2017. Operating loss (unaudited) for H1-2018 is expected to be approximately \$0.5million (H1-2017: \$0.6 million profit).

Earnings before interest, taxes, depreciation, amortization, and stock-based compensation (adjusted EBITDA) for H1-2018 are expected to be approximately \$0.2 million (unaudited), compared to \$0.7 million in H1-2017 due to the matters set out above.

#### **Outlook**

The order book as of June 30, 2018 is \$7.3 million (2017: \$6.0 million) and was \$7.3 million as of December 31, 2017. The Board currently expects full year 2018 revenue of approximately \$19.0 million, gross profit margin at approximately 41%, adjusted EBITDA of between \$1.25 and \$1.50 million, and net income of break-even.

The Company's unaudited interim results for the six months to June 30, 2018 will be released in early September 2018.

## **De-restriction of Restricted Stock Line**

As a company domiciled in the US, ProPhotonix is subject to the Securities Act of 1933, the Securities Exchange Act of 1934 and the jurisdiction and rules of the US Securities Exchange Commission ("SEC"). Among those rules is Regulation S which requires the Company, as a US issuer, to issue shares that bear restrictive legends for a 12 month period. The 22,042,143 ProPhotonix restricted common shares of \$0.001 each trade under the ISIN USU743121142 and with the ticker AIM:PPIR ("Restricted Shares").

The Restricted Shares which were issued to trading on AIM on August 21, 2017 are eligible for transfer on September 1, 2018 to the unrestricted line (ISIN: US7434651060, tickers OTC:STKR and AIM:PPIX). Shareholders who wish to transfer their Restricted Shares should contact the Company or Computershare for further instructions.

### **Tim Losik, CEO, Commented:**

"We remain very optimistic about 2019 and beyond. Whilst revenue recognized has been slower than expected in this first half of 2018, our opportunity pipeline for laser and LED OEM products and UV LED product sales is stronger than at any time. Also, during the first half of 2018 we secured our sixth development project with a Fortune 50 original equipment manufacturer ("OEM"), and signed a large engineering design project, valued in excess of \$0.4 million, which will be delivered between Q4 2018 and Q2 2019, with production expected thereafter. We continue to invest in production capacity and technical capability as we take on additional new customers and OEM products. These investments will occur in advance of realized revenue to complete the production build out necessary for the UV LED products."

### **Enquiries:**

ProPhotonix Limited  
Tim Losik, President and CEO

Tel: +1 603 893 8778  
[ir@prophotonix.com](mailto:ir@prophotonix.com)

Cantor Fitzgerald Europe  
(Nominated Adviser and Broker)  
Richard Salmond  
David Foreman

Tel: +44 (0)207 894 7000

### **About ProPhotonix**

ProPhotonix Limited, headquartered in Salem, New Hampshire, is a high technology designer and manufacturer of LED illumination systems and laser diode modules for industry leading OEMs and medical equipment companies. In addition, the Company distributes premium diodes for Ushio, Osram, QSI, Panasonic, and Sony. The Company serves a wide range of markets including the machine vision, industrial inspection, security, and medical markets. ProPhotonix has offices and subsidiaries in the U.S., Ireland, U.K., and Europe. For more information about ProPhotonix and its innovative products, visit the Company's web site at [www.prophotonix.com](http://www.prophotonix.com).

### **Cautionary Statement**

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact, including without limitation, those with respect to ProPhotonix's goals, plans and strategies set forth herein are forward-looking statements. The following important factors and uncertainties, among

others, could cause actual results to differ materially from those described in these forward-looking statements: uncertainty that cash balances may not be sufficient to allow ProPhotonix to meet all of its business goals; uncertainty that ProPhotonix's new products will gain market acceptance; the risk that delays and unanticipated expenses in developing new products could delay the commercial release of those products and affect revenue estimates; the risk that one of our competitors could develop and bring to market a technology that is superior to those products that we are currently developing; and ProPhotonix's ability to capitalize on its significant research and development efforts by successfully marketing those products that the Company develops. Forward-looking statements represent management's current expectations and are inherently uncertain. All Company, brand, and product names are trademarks or registered trademarks of their respective holders. ProPhotonix undertakes no duty to update any of these forward-looking statements.

#####