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November 02, 2018

ProPhotonix Limited

("ProPhotonix" or the "Group")

### **Trading update**

ProPhotonix Limited (London Stock Exchange - AIM: PPIX, 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 2018 fiscal year.

Trading conditions remain positive but challenging and the Board expects Group revenue for the year ending December 31, 2018 to total approximately \$16.0 million (2017: \$17.7 million). This slowdown in the second half of 2018 is in part due to revenue from two key customers of ProPhotonix which have experienced declines in volumes during the period. One of these customers delayed the launch of its next generation product, which incorporates components manufactured by ProPhotonix and, as a result, revenue from this customer is expected to decline by 26% year-on-year. The Board now expects that the customer's next generation product will launch in Q1-2019. Separately, revenue from another large customer is expected to fall by 46% year-on-year due to an excess of components supplied by ProPhotonix in the customer's inventory, which is expected to be consumed during Q4-2018. Finally, new products recently introduced to the market have taken longer than anticipated to gain market traction contributing to the current revenue expectation. However, the Group's total order book for future shipments stands at \$7.2 million as of October 31, 2018.

The Board now expects that this forecast revenue will result in a net loss for 2018 of approximately \$2.0 million and a loss of earnings before interest, taxes, depreciation, amortization, and stock-based compensation (adjusted EBITDA) of approximately \$0.5 million.

### **Tim Losik, CEO, commented:**

"While the expected 2018 results are a disappointment for ProPhotonix, especially considering the significant momentum and improvement since the Group was recapitalized in 2013, our order book remains strong and we remain optimistic about the future of the business as we build our OEM partnerships along with a comprehensive portfolio of products.

"We are not wavering from our strategy which is to support our significant OEM customer base and to make continued investments in new product introductions. Our opportunity pipeline for laser and LED OEM products and UV LED product sales remains strong and we are continuing to invest in production capacity and technical capability as we take on additional new customers and OEM products. These

investments, which will occur in advance of realized revenue, will allow us to complete the production build out necessary for OEM and UV LED products."

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**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.