

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT



Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934

Date of report (Date of earliest event reported)

August 25, 2021

PHOTRONICS, INC.

(Exact name of registrant as specified in its charter)

Connecticut

(State or Other Jurisdiction of Incorporation)

0-15451

(Commission File Number)

06-0854886

(IRS Employer Identification No.)

15 Secor Road, Brookfield, CT

(Address of principal executive offices)

06804

(Zip Code)

Registrant's Telephone Number, including area code

(203) 775-9000

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
COMMON STOCK, \$0.01 par value per share	PLAB	NASDAQ Global Select Market
PREFERRED STOCK PURCHASE RIGHTS	N/A	N/A

Item 2.02. Results of Operations and Financial Condition.

On August 25, 2021, Photronics, Inc. issued a press release reporting third quarter fiscal 2021 results.

A copy of the press release is furnished as Exhibit 99.1 to this report. The information contained in this Item 2.02 and the attached Exhibits 99.1, 99.2, 99.3, 99.4, and 99.5, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 and shall not be incorporated by reference in any filing under the Securities Act of 1933 except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

[99.1](#) Press Release dated August 25, 2021.

[99.2](#) Condensed Consolidated Statements of Income.

[99.3](#) Condensed Consolidated Balance Sheets.

[99.4](#) Condensed Consolidated Statements of Cash Flows.

[99.5](#) Photronics Q3 2021 Financial Results Conference Call August 25, 2021 slides.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PHOTRONICS, INC.
(Registrant)

By: /s/ Richelle E. Burr

Name: Richelle E. Burr

Title: Executive Vice President,
Chief Administrative Officer,
General Counsel and Secretary

Date: August 25, 2021



Press Release

For Further Information:
R. Troy Dewar, CFA
Vice President, Investor Relations
(203) 740-5610
tdewar@photronics.com

Photronics Reports Third Quarter Fiscal 2021 Results

- Revenue was a record \$170.6 million, up 7% sequentially and 8% year-over-year
- Net income attributable to Photronics, Inc. shareholders was \$17.1 million, or \$0.28 per diluted share, and includes a gain on the sale of a fixed asset of \$3.5 million, or \$0.06 per diluted share
- Cash provided by operating activities was \$54.9 million, capex was \$18.8 million, share repurchases were \$12.5 million, and ending cash balance was \$283.2 million
- Fourth quarter 2021 guidance: revenue between \$171 and \$179 million with diluted EPS between \$0.21 and \$0.29

BROOKFIELD, Conn. August 25, 2021 (GLOBE NEWSWIRE) — [Photronics, Inc.](#) (NASDAQ:PLAB), a worldwide leader in photomask technologies and solutions, today reported financial results for its fiscal 2021 third quarter ended August 1, 2021.

Third quarter revenue was \$170.6 million, up 7% compared with the previous quarter and 8% compared with the same quarter last year. Integrated circuit (IC) revenue was \$117.8 million, up 5% sequentially and 8% compared with the third quarter of last year. Flat panel display (FPD) revenue was \$52.9 million, up 11% compared with last quarter and 7% compared with the same period last year.

Net income attributable to Photronics, Inc. shareholders was \$17.1 million, or \$0.28 per diluted share, compared with \$10.5 million, or \$0.17 per diluted share, for the second quarter of 2021 and \$10.8 million, or \$0.17 per diluted share, for the third quarter of 2020.

"Demand trends that we observed over the first two quarters of 2021 continued into the third quarter as we achieved record revenue on a consolidated basis as well as for both IC and FPD," said Peter Kirilin, chief executive officer. "Design activity was strong, and we were able to expand our global manufacturing presence by adding new tools to our operations. Third quarter margin expansion was in line with our demonstrated ability to keep cost under control even as production increases. Most importantly, we maintained a strong balance sheet, enabling us to invest in organic growth and return cash to shareholders through our share repurchase activity. As the leading merchant photomask manufacturer, we expect our business to continue to grow throughout the balance of this year, and remain on track to deliver on our long-term target model objectives."

Fourth Quarter 2021 Guidance

For the fourth quarter of 2021, Photronics expects revenue to be between \$171 million and \$179 million, and net income attributable to Photronics, Inc. shareholders to be between \$0.21 and \$0.29 per diluted share.

Conference Call

A conference call to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, August 25, 2021. The call can be accessed by logging onto Photronics' website at www.photronics.com. The live dial-in number is (877) 377-7095 or (408) 774-4601 outside of the United States and Canada. The call will be archived on Photronics' website.

About Photronics

Photronics is a leading worldwide manufacturer of integrated circuit (IC) and flat panel display (FPD) photomasks. High precision quartz plates that contain microscopic images of electronic circuits, photomasks are a key element in the IC and FPD manufacturing process. Founded in 1969, Photronics has been a trusted photomask supplier for over 50 years. As of October 31, 2020, the company had 1,728 employees. The company operates 11 strategically located manufacturing facilities in Asia, Europe, and North America. Additional information on the company can be accessed at www.photronics.com.

Forward-Looking Statements

Certain statements in this press release constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements made by or on behalf of the company and its subsidiaries. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements of Photronics to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Statements preceded by, followed by or that otherwise include the words "believes," "expects," "anticipates," "intends," "projects," "estimates," "plans," "may increase," "may fluctuate," "will," "should," "would," "may" and "could" or similar words or expressions are generally forward-looking in nature and not historical facts. Any statements that refer to outlook, expectations or other characterizations of future events, circumstances or results are also forward-looking statements. Important risks, assumptions and other important factors that could cause future results to differ materially from those expressed in the forward-looking statements are specified in Photronics' Annual and Quarterly filings with the Securities and Exchange Commission under headings such as "Forward-Looking Statements", "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in other filings and furnishings made by Photronics with the Securities and Exchange Commission from time to time. These risks and uncertainties include, but are not limited to, the current pandemic and future recurrences and other developments with respect thereto, governmental responses to the pandemic and related matters, changes in end markets resulting therefrom, changes in investment, tax, trade, exchange and other laws and regulations, compliance with local, State and Federal laws, rules and regulations including, but not limited to, import and export controls, tariffs and penalties, fines and violations related thereto, as well as economic, competitive, legal, governmental, political, monetary and fiscal policy, and technological factors and decisions we may make in the future regarding our business, capital structure and other matters. Photronics undertakes no obligation to release publicly any revisions to any forward-looking statements or, except as required to be disclosed in filings or furnishings with the Securities and Exchange Commission, to report events or to report the occurrence of unanticipated events. There is no assurance that Photronics' expectations will be realized.

PHOTRONICS, INC.
Condensed Consolidated Statements of Income
(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended			Nine Months Ended	
	August 1, 2021	May 2, 2021	August 2, 2020	August 1, 2021	August 2, 2020
Revenue	\$ 170,643	\$ 159,763	\$ 157,895	\$ 482,473	\$ 460,405
Cost of goods sold	125,318	120,514	120,161	367,370	357,636
Gross Profit	45,325	39,249	37,734	115,103	102,769
Operating Expenses:					
Selling, general and administrative	15,083	14,067	13,306	43,203	40,792
Research and development	5,305	4,375	4,492	14,390	13,034
Total Operating Expenses	20,388	18,442	17,798	57,593	53,826
Other operating income, net	3,525	-	-	3,525	-
Operating Income	28,462	20,807	19,936	61,035	48,943
Other non-operating income (expense), net	3,735	(772)	(2,135)	3,643	610
Income Before Income Tax Provision	32,197	20,035	17,801	64,678	49,553
Income tax provision	7,842	3,714	4,937	14,493	17,789
Net Income	24,355	16,321	12,864	50,185	31,764
Net income attributable to noncontrolling interests	7,279	5,795	2,088	14,547	4,404
Net income attributable to Photonics, Inc. shareholders	<u>\$ 17,076</u>	<u>\$ 10,526</u>	<u>\$ 10,776</u>	<u>\$ 35,638</u>	<u>\$ 27,360</u>
Earnings per share:					
Basic	<u>\$ 0.28</u>	<u>\$ 0.17</u>	<u>\$ 0.17</u>	<u>\$ 0.58</u>	<u>\$ 0.42</u>
Diluted	<u>\$ 0.28</u>	<u>\$ 0.17</u>	<u>\$ 0.17</u>	<u>\$ 0.57</u>	<u>\$ 0.42</u>
Weighted-average number of common shares outstanding:					
Basic	<u>60,884</u>	<u>62,054</u>	<u>64,780</u>	<u>61,804</u>	<u>65,090</u>
Diluted	<u>61,515</u>	<u>62,568</u>	<u>65,247</u>	<u>62,362</u>	<u>65,704</u>

PHOTRONICS, INC.
Condensed Consolidated Balance Sheets
(in thousands)
(Unaudited)

	<u>August 1,</u> <u>2021</u>	<u>October 31,</u> <u>2020</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 283,249	\$ 278,665
Accounts receivable	151,190	134,470
Inventories	53,165	57,269
Other current assets	42,860	29,735
	<u>530,464</u>	<u>500,139</u>
Total current assets	530,464	500,139
Property, plant and equipment, net	699,609	631,475
Intangible assets, net	904	3,437
Other assets	50,780	53,131
	<u>1,281,757</u>	<u>1,188,182</u>
Total assets	\$ 1,281,757	\$ 1,188,182
<u>Liabilities and Equity</u>		
Current liabilities:		
Debt	\$ 25,163	\$ 13,678
Accounts payable and accrued liabilities	142,454	129,261
	<u>167,617</u>	<u>142,939</u>
Total current liabilities	167,617	142,939
Long-term debt	92,740	54,980
Other liabilities	26,939	27,997
Photronics, Inc. shareholders' equity	817,892	804,962
Noncontrolling interests	176,569	157,304
	<u>994,461</u>	<u>962,266</u>
Total equity	994,461	962,266
Total liabilities and equity	\$ 1,281,757	\$ 1,188,182

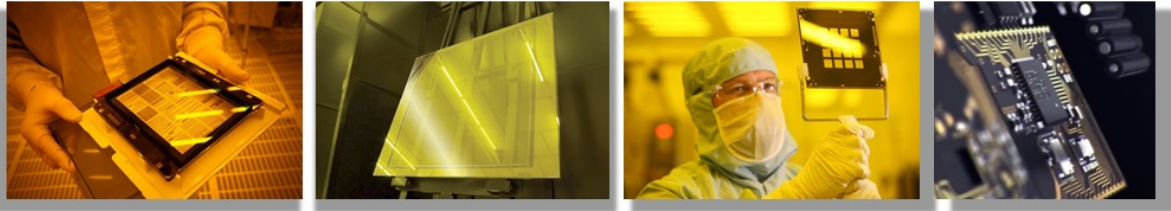
PHOTRONICS, INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Nine Months Ended	
	August 1, 2021	August 2, 2020
Cash flows from operating activities:		
Net income	\$ 50,185	\$ 31,764
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	69,305	71,120
Share-based compensation	4,034	3,773
Changes in operating assets, liabilities and other	(10,428)	(28,393)
Net cash provided by operating activities	113,096	78,264
Cash flows from investing activities:		
Purchases of property, plant and equipment	(92,301)	(36,693)
Government incentives	5,775	5,263
Purchases of intangible assets	(170)	(139)
Net cash used in investing activities	(86,696)	(31,569)
Cash flows from financing activities:		
Proceeds from long-term debt	20,858	5,699
Purchases of treasury stock	(35,750)	(16,894)
Repayments of debt	(13,311)	(5,929)
Contribution from noncontrolling interest	-	17,596
Proceeds from share-based arrangements	2,251	3,869
Net settlements of restricted stock awards	(403)	(248)
Net cash (used in) provided by financing activities	(26,355)	4,093
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	4,602	3,486
Net increase in cash, cash equivalents, and restricted cash	4,647	54,274
Cash, cash equivalents, and restricted cash, beginning of period	281,602	209,291
Cash, cash equivalents, and restricted cash, end of period	\$ 286,249	\$ 263,565



Photronics, Inc.

Q3 2021 Financial Results Conference Call
August 25, 2021



PHOTRONICS, INC.

Safe Harbor Statement

This presentation and some of our comments may contain projections or other forward-looking statements regarding future events, our future financial performance and/or the future performance of the industry. These statements are predictions, and contain risks and uncertainties. Actual events or results may differ materially from those presented. These statements include words like “anticipate”, “believe”, “estimate”, “expect”, “forecast”, “may”, “plan”, “project”, “in our view” or the negative thereto. We cannot guarantee the accuracy of any forecasts or estimates, and we are not obligated to update any forward-looking statements if our expectations change. If you would like more information on the risks involved in forward-looking statements, please see the documents we file from time to time with the Securities and Exchange Commission.

Q3 2021 Summary

- Revenue was a record \$170.6M, up 7% Q/Q and 8% Y/Y
 - IC and FPD both achieved record revenue
 - Record revenue to China, up 9% Q/Q and 22% Y/Y
- Net income attributable to Photronics, Inc. shareholders of \$17.1M (\$0.28/share)
- Cash balance \$283M
 - \$55M generated from operating activity
 - \$19M invested in capex
 - \$13M returned to investors through share repurchases
- FPD capacity expansion finished ahead of plan
- Investing to expand mainstream IC capacity

Strategic investments driving long-term, profitable growth

Income Statement Summary

\$M (except EPS)	Q321	Q221	Q/Q	Q320	Y/Y
Revenue	\$ 170.6	\$ 159.8	7%	\$ 157.9	8%
Gross Profit	\$ 45.3	\$ 39.2	15%	\$ 37.7	20%
Gross Margin	26.6%	24.6%	200 bps	23.9%	270 bps
Operating Income	\$ 28.5	\$ 20.8	37%	\$ 19.9	43%
Operating Margin	16.7%	13.0%	370 bps	12.6%	410 bps
Other non-operating income (expense)	\$ 3.7	(\$ 0.8)	\$ 4.5	(\$ 2.1)	\$ 5.9
Income tax provision	\$ 7.8	\$ 3.7	\$ 4.1	\$ 4.9	\$ 2.9
Minority interest	\$ 7.3	\$ 5.8	\$ 1.5	\$ 2.1	\$ 5.2
Net Income*	\$ 17.1	\$ 10.5	62%	\$ 10.8	58%
Diluted EPS*	\$ 0.28	\$ 0.17	\$ 0.11	\$ 0.17	\$ 0.11
Days in quarter	91	91	-	91	-

*Net income attributable to Photronics, Inc. shareholders
8/25/2021

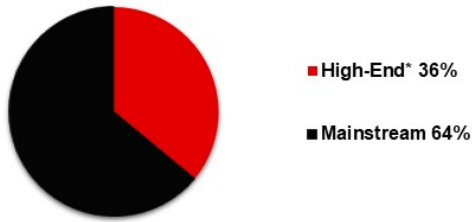
- Margins improved on higher revenue and better mainstream IC ASP
- Operating income includes \$3.5M gain on sale of fixed asset (\$0.06 per share)
- Other non-operating income (expense) primarily due to FX gain (loss); Q221 includes China interest expense subsidy
- Minority interest from IC JVs in Taiwan and China

IC Photomask Revenue

\$M	Q321	Q221	Q/Q	Q320	Y/Y
High-End*	\$ 42.4	\$ 41.3	3%	\$ 38.7	10%
Mainstream	\$ 75.4	\$ 70.7	7%	\$ 70.0	8%
Total	\$ 117.8	\$ 112.0	5%	\$ 108.7	8%

Total may differ due to rounding

Q321 Revenue by Technology



*28nm and smaller
8/25/2021

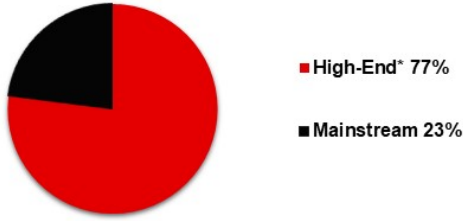
- High-end growth driven by strong logic, especially in Taiwan & China
- Mainstream up on positive demand trends and higher ASP
- China revenue +10% Q/Q and +46% Y/Y; represents 29% of IC revenue
- Outlook
 - Continued strength from remote work and education
 - Mainstream demand strong, with positive pricing
 - Continued macro risk from trade policies and shelter-in-place mandates

FPD Photomask Revenue

\$M	Q321	Q221	Q/Q	Q320	Y/Y
High-End*	\$ 40.6	\$ 39.4	3%	\$ 36.7	11%
Mainstream	\$ 12.2	\$ 8.4	46%	\$ 12.6	(3%)
Total	\$ 52.9	\$ 47.8	11%	\$ 49.2	7%

Total may differ due to rounding

Q321 Revenue by Technology



*≥G10.5, AMOLED and LTPS
8/25/2021

- High-end improved on AMOLED mobile demand; G10.5+ up Q/Q
- Mainstream recovered Q/Q
- China revenue +9% Q/Q and +2% Y/Y; represents 53% of FPD revenue
- Outlook
 - Dynamic market environment
 - Mobile demand strength expected to continue
 - Further benefit from new capacity
 - Technology development drives demand for higher-value masks

Select Financial Data

\$M	Q321	Q221	Q320
Cash	\$ 283	\$ 256	\$ 261
Debt	\$ 118	\$ 114	\$ 53
Net Cash*	\$ 165	\$ 142	\$ 208
Operating Cash Flow	\$ 55	\$ 32	\$ 17
Capital Expenditures	\$ 19	\$ 56	\$ 7
Government Incentives for Capital Equipment	-	\$ 5	-
Share repurchase	\$ 13	\$ 10	-

- Debt is US equipment lease and local China loans
- Expect 2021 capex to be ~\$120M (was \$92M YTD)
 - Completed initial China IC investment
 - Next phase of FPD investment
 - Mainstream IC capacity expansion
- Total share repurchases of \$53M under current \$100M plan (Sep 2020)
- Balance sheet able to fund investments, share repurchases, and strategic M&A opportunities

*Net cash defined as cash and cash equivalents less long-term borrowings (including current portion), as reported in accordance with GAAP
8/25/2021

Q421 Guidance

Revenue (\$M)	\$171 - \$179
Operating Margin	16% - 18%
Taxes (\$M)	\$6 - \$8
EPS	\$0.21 - \$0.29
Diluted Shares (M)	~62

- Positive industry demand trends
 - Remote work and learning
 - Made in China 2025
 - Advanced display technologies
- Outlook clouded by geopolitical uncertainty
 - Shelter-in-place mandates
 - US/China trade policies
- We remain focused on expanding margins and improving cash flows

Thank you for your interest!

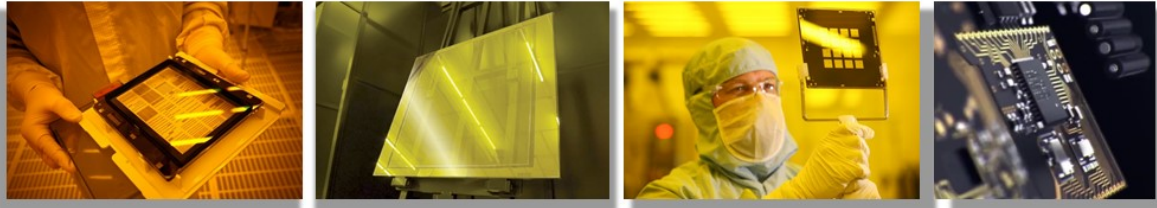
For Additional Information:

R. Troy Dewar, CFA

Vice President, Investor Relations

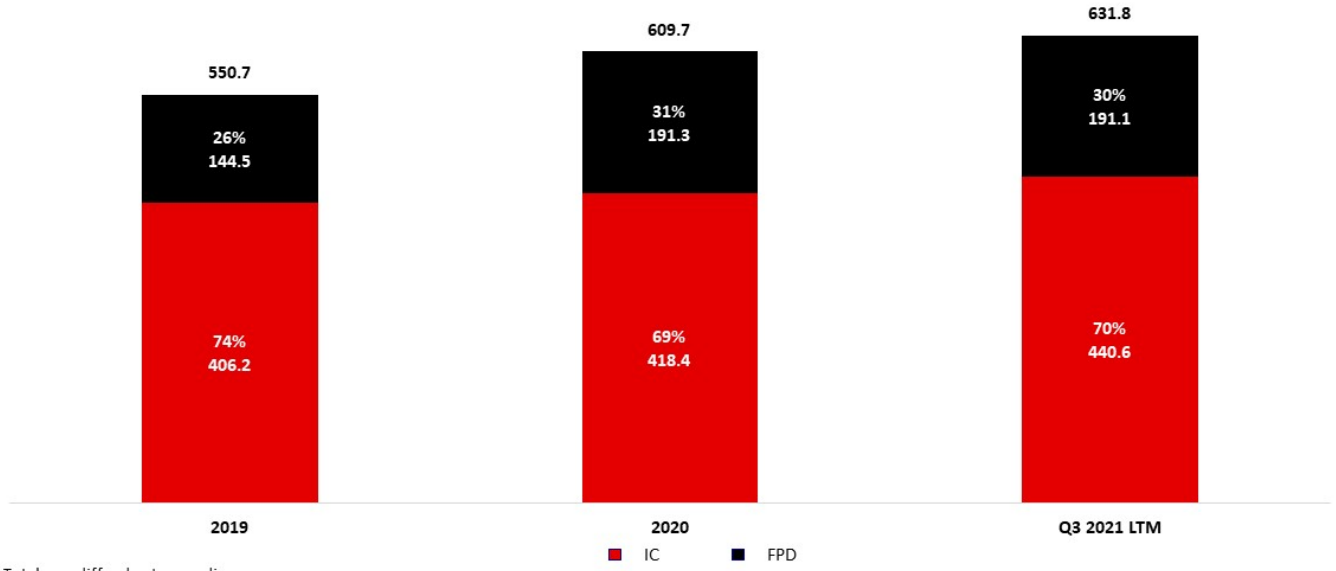
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Appendix

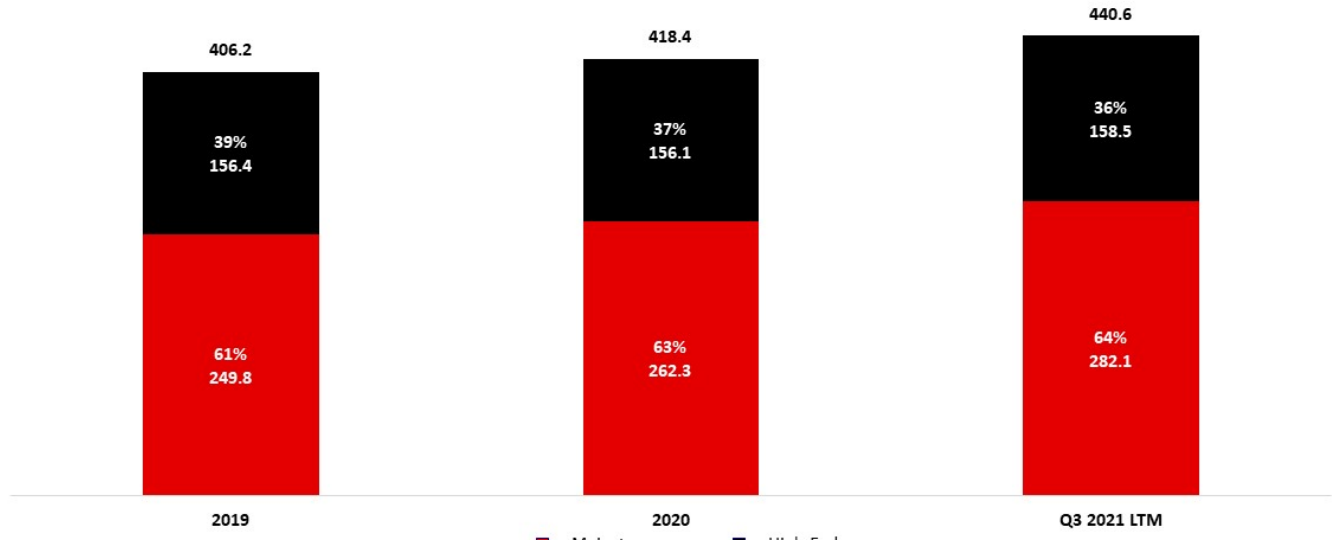
Total Revenue



Total may differ due to rounding

8/25/2021

IC Photomask Revenue

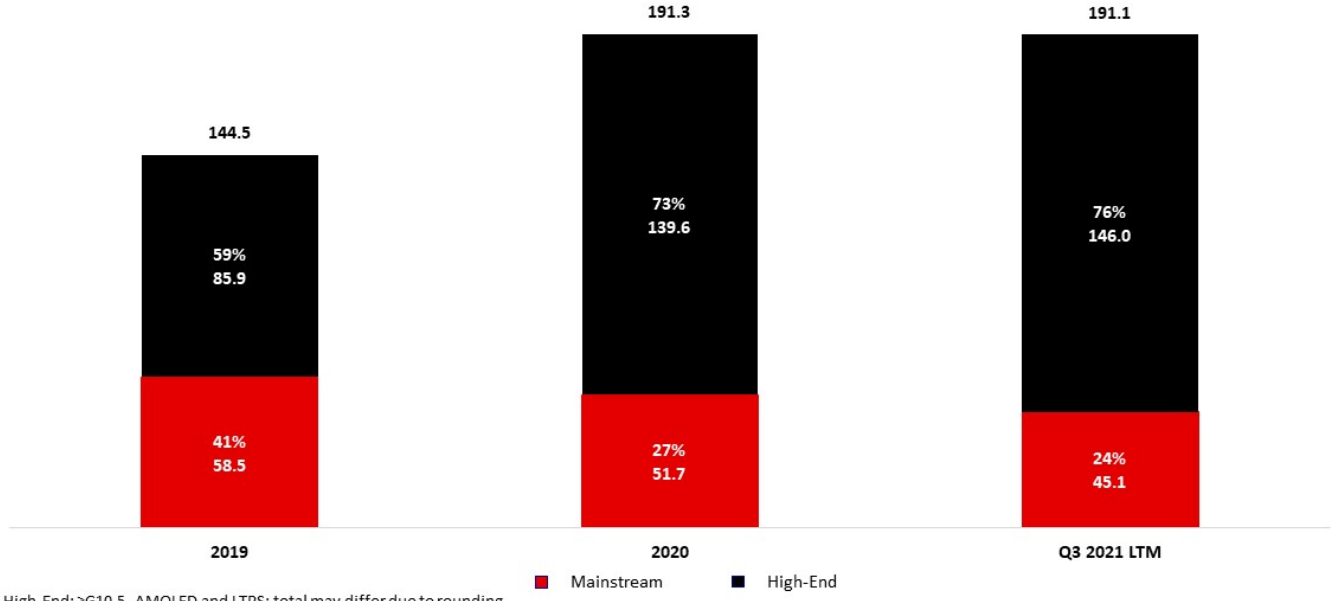


High-End: 28nm and smaller; total may differ due to rounding

■ Mainstream ■ High-End

8/25/2021

FPD Photomask Revenue



8/25/2021