

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)

December 8, 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 December 8, 2021, Photonics, Inc. issued a press release reporting fourth 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 December 8, 2021.
 - [99.2](#) Condensed Consolidated Statements of Income.
 - [99.3](#) Condensed Consolidated Balance Sheets.
 - [99.4](#) Condensed Consolidated Statements of Cash Flows.
 - [99.5](#) Photonics Q4 2021 Financial Results Conference Call December 8, 2021 slides.
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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: December 8, 2021



For Further Information:
John P. Jordan
Executive Vice President & CFO
203.740.5671
jjordan@photronics.com

Press Release

Photronics Reports Full Year and Fourth Quarter Fiscal 2021 Results

BROOKFIELD, Conn. December 8, 2021 (GLOBE NEWSWIRE) — Photronics, Inc. (NASDAQ:PLAB), a worldwide leader in photomask technologies and solutions, today reported financial results for its full year and fourth quarter fiscal 2021 ended October 31, 2021.

“Photronics achieved a fourth consecutive year of record revenue, as demand for our design-driven products accelerated and we fully ramped new flat panel display capacity,” said Peter Kirlin, chief executive officer. “We made strategic investments in 2021 that have positioned us to achieve organic growth as market trends such as the increase in demand from Asia foundries and the adoption of advanced display technologies in mobile applications have driven the market higher.”

Full Year 2021 Results

- Revenue of \$663.8 million was a record for the fourth consecutive year, up 9% compared with 2020
- Net income attributable to Photronics, Inc. shareholders was \$55.4 million, or \$0.89 per diluted share
- Cash provided by operating activities was \$150.8 million, capex was \$103.5 million, share repurchases were \$48.3 million, and ending cash balance was \$276.7 million

Fourth Quarter 2021 Results

- Revenue was \$181.3 million, the third consecutive quarterly record, up 6% sequentially and 21% year-over-year
- Net income attributable to Photronics, Inc. shareholders was \$19.8 million (\$0.33 per diluted share), compared with \$17.1 million (\$0.28 per diluted share) for the third quarter of 2021 and \$6.5 million (\$0.10 per diluted share) for the fourth quarter of 2020

Full year integrated circuit (IC) revenue was \$460.2 million, up 10% compared with last year; flat panel display (FPD) revenue was \$203.6 million, 6% over the same quarter last year.

IC revenue in the fourth quarter was \$125.4 million, up 7% sequentially and 18% compared with the fourth quarter of last year; FPD revenue was \$55.8 million, up 6% over last quarter and 29% over the same period last year.

“Past investments in targeted technologies are paying off, as margin expansion is accompanying top-line growth,” added Kirlin. “We are generating gross and operating margins already at the high-end of the three-year target model we presented last year, and our strong cash flow enables us to invest in the business while we also return cash to shareholders as part of our disciplined capital allocation. With strong end market demand, solid balance sheet, broad geographic presence, and a team with a proven track record, we are excited about our future and optimistic we can deliver on our long-term target model objectives.”

First Quarter 2022 Guidance

For the first quarter of 2022, Photronics expects revenue to be between \$178 million and \$186 million, and net income attributable to Photronics, Inc. shareholders to be between \$0.27 and \$0.34 per diluted share.

Conference Call

A conference call to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, December 8, 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, 2021, 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			Year Ended	
	October 31, 2021	August 1, 2021	October 31, 2020	October 31, 2021	October 31, 2020
Revenue	\$ 181,288	\$ 170,643	\$ 149,286	\$ 663,761	\$ 609,691
Cost of goods sold	129,347	125,318	117,401	496,717	475,037
Gross Profit	51,941	45,325	31,885	167,044	134,654
Operating Expenses:					
Selling, general and administrative	14,322	15,083	12,790	57,525	53,582
Research and development	4,100	5,305	4,110	18,490	17,144
Total Operating Expenses	18,422	20,388	16,900	76,015	70,726
Other operating income, net	-	3,525	-	3,525	-
Operating Income	33,519	28,462	14,985	94,554	63,928
Non-operating income (expense), net	3,809	3,735	(2,937)	7,452	(2,327)
Income Before Income Tax Provision	37,328	32,197	12,048	102,006	61,601
Income tax provision	8,697	7,842	3,469	23,190	21,258
Net Income	28,631	24,355	8,579	78,816	40,343
Net income attributable to noncontrolling interests	8,820	7,279	2,119	23,367	6,523
Net income attributable to Photronics, Inc. shareholders	\$ 19,811	\$ 17,076	\$ 6,460	\$ 55,449	\$ 33,820
Earnings per share:					
Basic	\$ 0.33	\$ 0.28	\$ 0.10	\$ 0.90	\$ 0.52
Diluted	\$ 0.33	\$ 0.28	\$ 0.10	\$ 0.89	\$ 0.52
Weighted-average number of common shares outstanding:					
Basic	60,216	60,884	64,193	61,407	64,866
Diluted	60,908	61,515	64,768	61,999	65,470

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

	<u>October 31,</u> <u>2021</u>	<u>October 31,</u> <u>2020</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 276,670	\$ 278,665
Accounts receivable	174,447	134,470
Inventories	55,249	57,269
Other current assets	44,250	29,735
Total current assets	550,616	500,139
Property, plant and equipment, net	696,553	631,475
Intangible assets, net	774	3,437
Other assets	46,259	53,131
Total assets	<u>\$ 1,294,202</u>	<u>\$ 1,188,182</u>
Liabilities and Equity		
Current liabilities:		
Debt	\$ 22,248	\$ 13,678
Accounts payable and accrued liabilities	153,900	129,261
Total current liabilities	176,148	142,939
Long-term debt	89,446	54,980
Other liabilities	28,046	27,997
Photronics, Inc. shareholders' equity	823,692	804,962
Noncontrolling interests	176,870	157,304
Total equity	<u>1,000,562</u>	<u>962,266</u>
Total liabilities and equity	<u>\$ 1,294,202</u>	<u>\$ 1,188,182</u>

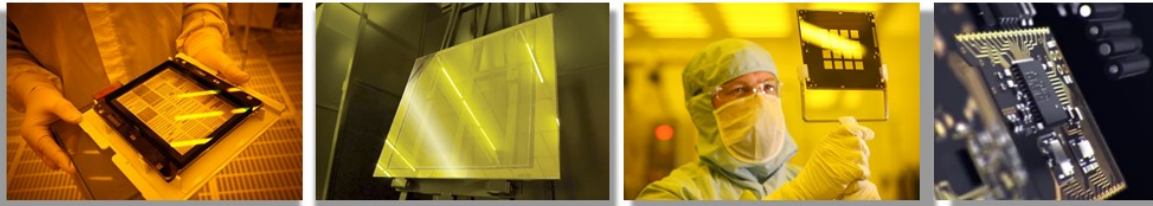
PHOTRONICS, INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	<u>Year Ended</u>	
	<u>October 31,</u> <u>2021</u>	<u>October 31,</u> <u>2020</u>
Cash flows from operating activities:		
Net income	\$ 78,816	\$ 40,343
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	90,396	93,814
Share-based compensation	5,348	4,927
Changes in operating assets, liabilities and other	(23,788)	3,962
Net cash provided by operating activities	<u>150,772</u>	<u>143,046</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(109,099)	(70,815)
Government incentives	5,775	5,263
Purchases of intangible assets	(170)	(159)
Net cash used in investing activities	<u>(103,494)</u>	<u>(65,711)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	20,858	20,340
Purchases of treasury stock	(48,250)	(34,394)
Repayments of debt	(20,352)	(7,392)
Dividends paid to noncontrolling interests	(9,597)	(16,151)
Proceeds from share-based arrangements	3,874	4,239
Contribution from noncontrolling interest	-	17,596
Net settlements of restricted stock awards	(436)	(248)
Net cash used in financing activities	<u>(53,903)</u>	<u>(16,010)</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	<u>4,703</u>	<u>10,986</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash	(1,922)	72,311
Cash, cash equivalents, and restricted cash, beginning of period	<u>281,602</u>	<u>209,291</u>
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 279,680</u>	<u>\$ 281,602</u>



Photronics, Inc.

Q4 2021 Financial Results Conference Call
December 8, 2021



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.

2021 Summary

- Revenue was a record \$663.8M, up 9%
 - IC and FPD both achieved record revenue, up 10% and 6%, respectively
 - Record revenue to China, up 20%
- Net income attributable to Photronics, Inc. shareholders of \$55.4M (\$0.89/share)
- Cash balance \$277M
 - 100% of free cash flow returned to investors through share repurchases
 - \$151M generated from operating activity
 - \$109M invested in capex (\$103M net of government incentives)
- Completed FPD capacity expansion ahead of schedule

Another year with record revenue and improved performance in a challenging environment

12/8/2021

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Q4 2021 Summary

- Revenue was a record \$181.3M, up 6% Q/Q and 21% Y/Y
 - IC (+7% Q/Q, +18% Y/Y) and FPD (+6% Q/Q, +29% Y/Y) both achieved record revenue
 - Record revenue to China, up 26% Q/Q and 55% Y/Y
- Net income attributable to Photronics, Inc. shareholders of \$19.8M (\$0.33/share)
- Cash balance \$277M
 - \$38M generated from operating activity
 - \$17M invested in capex
 - \$13M returned to investors through share repurchases
- Investing in mainstream IC capacity to capitalize on market growth trends
- Received 2021 UMC Excellent Collaboration and Partnership Award

Strategic investments driving long-term, profitable growth

12/8/2021

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Next phase of investment strategy

- Revenue growth
 - Win lion's share of "Made in China 2025" TAM growth
 - Supplement new factories with point tool investments
 - Capture captive outsourcing opportunity created by EUV
 - Capitalize on technology leadership in AMOLED to continue improving mix
- Margin expansion
 - Sustained pricing strength in mainstream IC going into 2022
 - Optimize asset tool set to match end-market demand
 - Increasing benefit from operating leverage
- Explore strategic partnerships

Illustrative Target Model

\$M (except EPS)	2019	2020	2021	12/2020 Illustrative FY2023 Target Model		
Revenue	\$551	\$610	\$664	\$700 <i>5% CAGR</i>	\$725 <i>6% CAGR</i>	\$750 <i>7% CAGR</i>
Gross Margin	22%	22%	25%	24-26%	26-28%	27-29%
Operating Margin	9%	10%	14%	13-15%	15-17%	17-19%
Operating Cash Flow	\$68	\$143	\$151	\$150-160	\$160-170	\$175-185
Free Cash Flow	(\$83)	\$77	\$47	\$80-90	\$90-100	\$100-110
EPS	\$0.44	\$0.52	\$0.89	\$1.00-1.05	\$1.15-1.25	\$1.25-1.35

12/8/2021

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Income Statement Summary

\$M (except EPS)	Q421	Q321	Q/Q	Q420	Y/Y
Revenue	\$ 181.3	\$ 170.6	6%	\$ 149.3	21%
Gross Profit	\$ 51.9	\$ 45.3	15%	\$ 31.9	63%
Gross Margin	28.7%	26.6%	210 bps	21.4%	730 bps
Operating Income	\$ 33.5	\$ 28.5	18%	\$ 15.0	124%
Operating Margin	18.5%	16.7%	180 bps	10.0%	850 bps
Other non-operating income (expense)	\$ 3.8	\$ 3.7	\$ 0.1	(\$ 2.9)	\$ 6.7
Income tax provision	\$ 8.7	\$ 7.8	\$ 0.9	\$ 3.5	\$ 5.2
Minority interest	\$ 8.8	\$ 7.3	\$ 1.5	\$ 2.1	\$ 6.7
Net Income*	\$ 19.8	\$ 17.1	16%	\$ 6.5	207%
Diluted EPS*	\$ 0.33	\$ 0.28	\$ 0.05	\$ 0.10	\$ 0.23
Days in quarter	91	91	-	90	1

*Net income attributable to Photronics, Inc. shareholders
12/8/2021

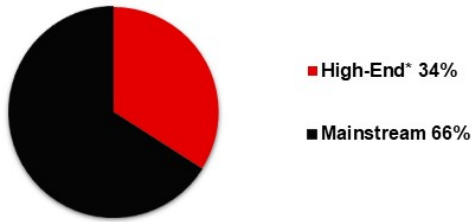
- Margins improved on higher revenue (IC & FPD), better mainstream IC pricing and high-end mix
 - Asia price increases already in place
 - Rolling out price increases in other markets
 - Q321 operating income includes \$3.5M gain on sale of fixed asset
- Other non-operating income (expense) primarily due to FX gain (loss)
- Minority interest is IC JVs in Taiwan and China

IC Photomask Revenue

\$M	Q421	Q321	Q/Q	Q420	Y/Y
High-End*	\$ 42.6	\$ 42.4	1%	\$ 38.2	12%
Mainstream	\$ 82.9	\$ 75.4	10%	\$ 67.8	22%
Total	\$ 125.4	\$ 117.8	7%	\$ 105.9	18%

Total may differ due to rounding

Q421 Revenue by Technology



*28nm and smaller
12/8/2021

- High-end growth driven by strong logic demand in Asia
- Mainstream up on proliferation of chips in IoT, 5G, Crypto and consumer products creating support for higher ASPs
- Outlook
 - Continued strength from remote work and education
 - Mainstream demand strong, expanding ASPs

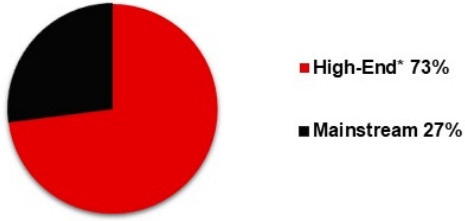
FPD Photomask Revenue

\$M	Q421	Q321	Q/Q	Q420	Y/Y
High-End*	\$ 41.0	\$ 40.6	1%	\$ 31.3	31%
Mainstream	\$ 14.9	\$ 12.2	21%	\$ 12.1	23%
Total	\$ 55.8	\$ 52.9	6%	\$ 43.4	29%

Total may differ due to rounding

- High-end improved on mobile demand
- Mainstream recovery continues
- Full quarter benefit of new litho tools
- Outlook
 - Dynamic market environment
 - Mobile demand strength and mainstream LCD recovery expected to continue
 - Technology development drives demand for higher-value masks

Q421 Revenue by Technology



*≥G10.5, AMOLED and LTPS
12/8/2021

Select Financial Data

<u>\$M</u>	<u>Q421</u>	<u>Q321</u>	<u>Q420</u>
Cash	\$ 277	\$ 283	\$ 279
Debt	\$ 112	\$ 118	\$ 69
Net Cash*	\$ 165	\$ 165	\$ 210
Operating Cash Flow	\$ 38	\$ 55	\$ 65
Capital Expenditures	\$ 17	\$ 19	\$ 34
Share repurchase	\$ 13	\$ 13	\$ 18

- Debt is US equipment lease and local China loans
- Full-year net 2021 capex was \$104M
- Total share repurchases of \$66M under current (Sep 2020) \$100M plan
- 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
12/8/2021

Q122 Guidance

Revenue (\$M)	\$178 - \$186
Operating Margin	18% - 20%
Taxes (\$M)	\$9 - \$10
EPS	\$0.27 - \$0.34
Diluted Shares (M)	~60
Full-year Capex (M)	~\$100

- Incorporation of chips in IoT, 5G, Crypto and consumer products
 - Remote work and learning
 - Advanced display technologies
 - Growing nationalism spurs investment
- Outlook clouded by geopolitical uncertainty and supply chain challenges
- Driving margin expansion and improved cash flows
- Capex mostly mainstream IC capacity & facility expansion

Thank you for your interest!

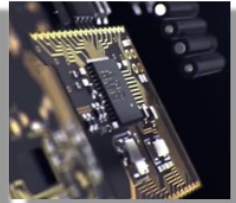
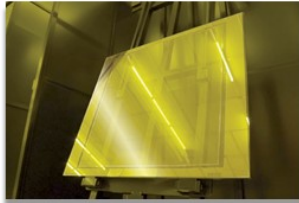
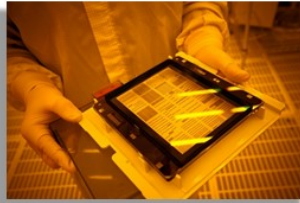
For Additional Information:

John P. Jordan

Executive Vice President & CFO

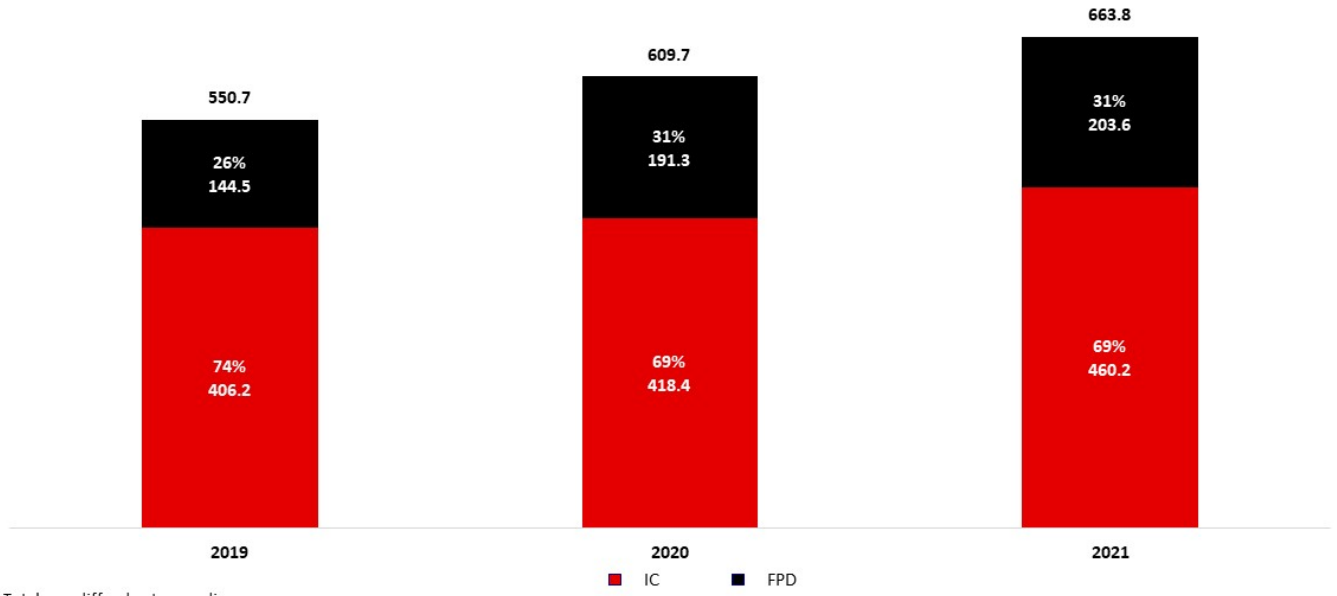
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Appendix

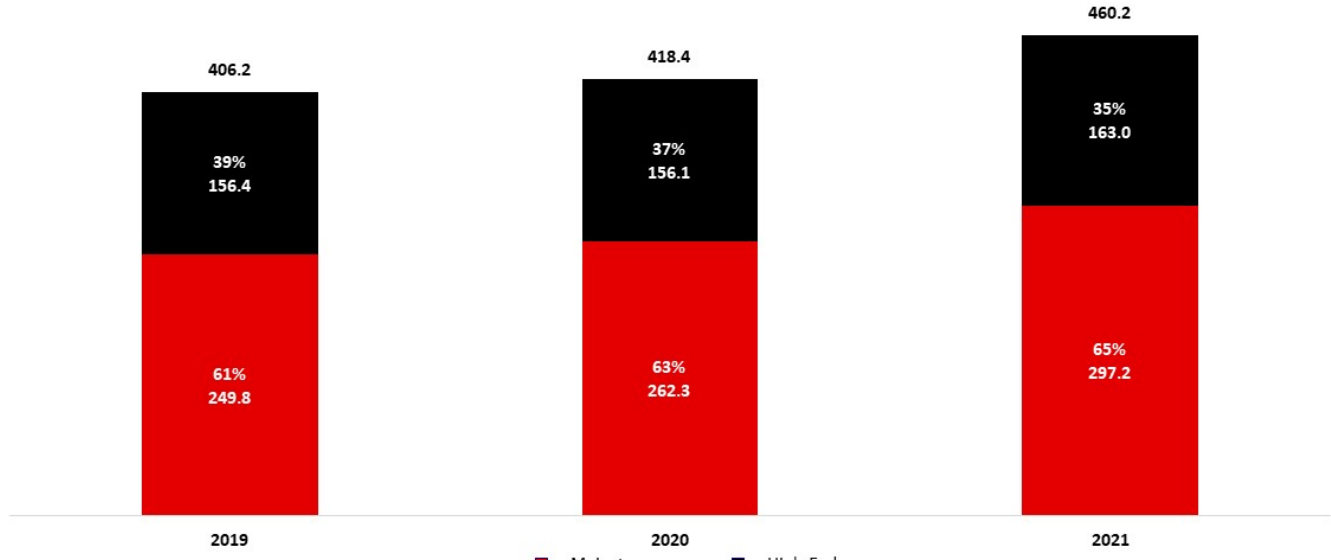
Total Revenue



Total may differ due to rounding

12/8/2021

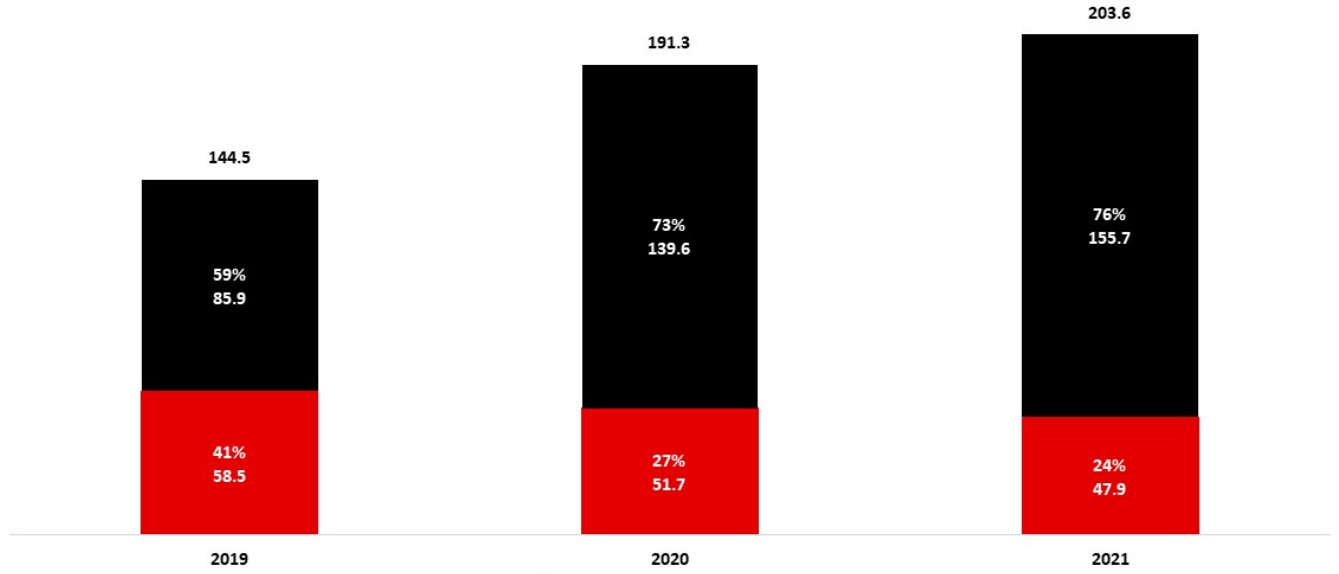
IC Photomask Revenue



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

■ Mainstream ■ High-End

FPD Photomask Revenue



High-End: ≥G10.5, AMOLED and LTPS; total may differ due to rounding

■ Mainstream ■ High-End

12/8/2021