

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 27, 2020

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 27, 2020, Photonics, Inc. (the “Company”) issued a press release reporting third quarter fiscal 2020 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 27, 2020.

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

[99.3](#) Condensed Consolidated Balance Sheets.

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

[99.5](#) Photonics Q3 2020 Financial Results Conference Call August 27, 2020 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 27, 2020



For Further Information:
R. Troy Dewar, CFA
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tdewar@photronics.com

Photronics Reports Third Quarter Fiscal 2020 Results

- Third quarter 2020 revenue was \$157.9 million, up 11% sequentially and 14% year-over-year
- Net income attributable to Photronics, Inc. shareholders was \$10.8 million, or \$0.17 per diluted share
- Cash provided by operating activities was \$16.9 million, resulting in a cash balance of \$260.6 million
- Fourth quarter 2020 guidance: revenue between \$148 and \$158 million with diluted EPS between \$0.12 and \$0.19

BROOKFIELD, Conn. August 27, 2020 (GLOBE NEWSWIRE) — Photronics, Inc. (NASDAQ:PLAB), a worldwide leader in photomask technologies and solutions, today reported financial results for its fiscal 2020 third quarter ended August 2, 2020.

Third quarter revenue was \$157.9 million, 11% better than the previous quarter and 14% better than the same quarter last year. Integrated circuit (IC) revenue was \$108.7 million, up 12% sequentially and 8% compared with the third quarter of last year. Flat panel display (FPD) revenue was \$49.2 million, up 7% compared with last quarter and 30% compared with the same period last year.

Net income attributable to Photronics, Inc. shareholders was \$10.8 million (\$0.17 per diluted share), compared with \$6.3 million (\$0.10 per diluted share) for the second quarter of 2020 and \$6.3 million (\$0.10 per diluted share) for the third quarter of 2019.

"Customer demand improved this quarter, and we achieved double-digit revenue growth rates compared with last quarter and last year due to our diverse market position and technology leadership," said Peter Kirlin, chief executive officer. "China demand recovered for both IC and FPD, with total revenue of product shipped to China increasing 10% compared with the previous quarter. From a market perspective, mainstream IC and high-end FPD were notable areas of strength. We were able to leverage the growth in revenues to expand profit margins, while also managing expenses, resulting in 12.6% operating margin and \$0.17 earnings per diluted share. Our cash balance grew to \$260.6 million, providing us with financial strength and flexibility as we look to continue our strategic growth investments. We are well placed to pursue attractive organic growth opportunities and expand our leadership position."

Fourth Quarter 2020 Guidance

For the fourth quarter of 2020, Photronics expects revenue to be between \$148 million and \$158 million, and net income attributable to Photronics, Inc. shareholders to be between \$0.12 and \$0.19 per diluted share.

Conference Call

A conference call to discuss these results is scheduled for 8:30 a.m. Eastern time on Thursday, August 27, 2020. 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 50 years. As of October 31, 2019, the company had 1,775 employees. The company has 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 the 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, 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 2, 2020	May 3, 2020	July 28, 2019	August 2, 2020	July 28, 2019
Revenue	\$ 157,895	\$ 142,774	\$ 138,112	\$ 460,405	\$ 394,404
Cost of goods sold	120,161	112,341	107,542	357,636	311,721
Gross profit	37,734	30,433	30,570	102,769	82,683
Operating Expenses:					
Selling, general and administrative	13,306	13,267	13,124	40,792	40,186
Research and development	4,492	4,462	4,046	13,034	11,852
Total Operating Expenses	17,798	17,729	17,170	53,826	52,038
Operating income	19,936	12,704	13,400	48,943	30,645
Other (expense) income, net	(2,135)	(951)	(348)	610	4,692
Income before income taxes	17,801	11,753	13,052	49,553	35,337
Income tax provision	4,937	3,781	3,218	17,789	7,883
Net income	12,864	7,972	9,834	31,764	27,454
Net income attributable to noncontrolling interests	2,088	1,688	3,487	4,404	7,361
Net income attributable to Photronics, Inc. shareholders	\$ 10,776	\$ 6,284	\$ 6,347	\$ 27,360	\$ 20,093
Earnings per share:					
Basic	\$ 0.17	\$ 0.10	\$ 0.10	\$ 0.42	\$ 0.30
Diluted	\$ 0.17	\$ 0.10	\$ 0.10	\$ 0.42	\$ 0.30
Weighted-average number of common shares outstanding:					
Basic	64,780	64,937	66,313	65,090	66,386
Diluted	65,247	65,417	66,570	65,704	69,919

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

	<u>August 2,</u> <u>2020</u>	<u>October 31,</u> <u>2019</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 260,597	\$ 206,530
Accounts receivable	146,843	134,454
Inventories	54,733	48,155
Other current assets	48,468	38,388
	<u>510,641</u>	<u>427,527</u>
Property, plant and equipment, net	623,247	632,441
Intangible assets, net	4,535	7,870
Other assets	57,419	50,827
	<u>1,195,842</u>	<u>1,118,665</u>
Total assets	<u>\$ 1,195,842</u>	<u>\$ 1,118,665</u>
Liabilities and Equity		
Current liabilities:		
Debt	\$ 14,683	\$ 10,873
Accounts payable and accrued liabilities	160,626	141,081
	<u>175,309</u>	<u>151,954</u>
Total current liabilities	175,309	151,954
Long-term debt	38,183	41,887
Other liabilities	25,665	13,732
Photronics, Inc. shareholders' equity	790,242	769,892
Noncontrolling interests	166,443	141,200
	<u>956,685</u>	<u>911,092</u>
Total equity	<u>956,685</u>	<u>911,092</u>
Total liabilities and equity	<u>\$ 1,195,842</u>	<u>\$ 1,118,665</u>

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

	Nine Months Ended	
	August 2, 2020	July 28, 2019
Cash flows from operating activities:		
Net income	\$ 31,764	\$ 27,454
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	71,120	60,387
Share-based compensation	3,773	2,871
Changes in operating assets, liabilities and other	(28,393)	(67,208)
Net cash provided by operating activities	78,264	23,504
Cash flows from investing activities:		
Purchases of property, plant and equipment	(36,693)	(160,149)
Government incentive	5,263	17,694
Other	(139)	(24)
Net cash used in investing activities	(31,569)	(142,479)
Cash flows from financing activities:		
Proceeds from long-term debt	5,699	53,227
Contribution from noncontrolling interest	17,596	29,394
Purchase of treasury stock	(16,894)	(10,696)
Repayments of debt	(5,929)	(61,319)
Proceeds from share-based arrangements	3,869	1,314
Dividends paid to noncontrolling interests	-	(26,102)
Other	(248)	(92)
Net cash provided by (used in) financing activities	4,093	(14,274)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	3,486	1,206
Net increase (decrease) in cash, cash equivalents, and restricted cash	54,274	(132,043)
Cash, cash equivalents, and restricted cash, beginning of period	209,291	331,989
Cash, cash equivalents, and restricted cash, end of period	\$ 263,565	\$ 199,946



Photronics, Inc.

Q3 2020 Financial Results Conference Call
August 27, 2020



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 2020 Summary

- ▶ **Revenue was \$157.9M, up 11% Q/Q and 14% Y/Y**
 - 12th consecutive quarter of YOY revenue growth
 - FPD production remained at capacity, with sequential growth across all high-end technologies
 - IC revenue grew on China recovery
 - Revenue of products shipped to China improved 10% Q/Q and 46% Y/Y
- ▶ **Net income attributable to Photronics, Inc. shareholders of \$10.8M (\$0.17/share)**
- ▶ **Cash balance grew to \$261M**
 - \$17M generated from operating activity
 - \$10M contribution from JV partner
- ▶ **China production contributed \$21M in revenue and \$1M in operating profit**
- ▶ **Next phase of FPD capacity investment on track for tool delivery in 2021**
- ▶ **Daniel Liao (Senior Advisor, Lam Research Corp.) joined Board of Directors**

Successfully repositioned the business; strategic investments driving long-term, profitable growth



Income Statement Summary

<u>\$M (except EPS)</u>	<u>Q320</u>	<u>Q220</u>	<u>Q/Q</u>	<u>Q319</u>	<u>Y/Y</u>
Revenue	\$ 157.9	\$ 142.8	11%	\$ 138.1	14%
Gross Profit	\$ 37.7	\$ 30.4	24%	\$ 30.6	23%
<i>Gross Margin</i>	23.9%	21.3%	260 bps	22.1%	180 bps
Operating Income	\$ 19.9	\$ 12.7	57%	\$ 13.4	49%
<i>Operating Margin</i>	12.6%	8.9%	370 bps	9.7%	290 bps
Other income (expense)	(\$ 2.1)	(\$ 1.0)	(\$ 1.2)	(\$ 0.3)	(\$ 1.8)
Income tax provision	\$ 4.9	\$ 3.8	\$ 1.2	\$ 3.2	\$ 1.7
Minority interest	\$ 2.1	\$ 1.7	\$ 0.4	\$ 3.5	(\$ 1.4)
Net Income*	\$ 10.8	\$ 6.3	71%	\$ 6.3	70%
Diluted EPS*	\$ 0.17	\$ 0.10	\$ 0.07	\$ 0.10	\$ 0.07
<i>Days in quarter</i>	91	91	-	91	-

▶ **Gross and operating margin moved up with revenue (operating leverage, cost controls)**

▶ **China operations contributed \$1.0M to operating income**

▶ **Other income / (expense) primarily due to FX gain / (loss)**

▶ **Minority interest includes IC JVs in Taiwan and China**

*Net income attributable to Photonics, Inc. shareholders



IC Photomask Revenue

\$M	Q320	Q220	Q/Q	Q319	Y/Y
High-End*	\$ 38.7	\$ 38.3	1%	\$ 38.5	1%
Mainstream	\$ <u>70.0</u>	\$ <u>58.6</u>	19%	\$ <u>61.7</u>	13%
Total	\$ 108.7	\$ 96.8	12%	\$ 100.2	8%

Total may differ due to rounding

▶ **High-end flat; mainstream up on China foundry recovery**

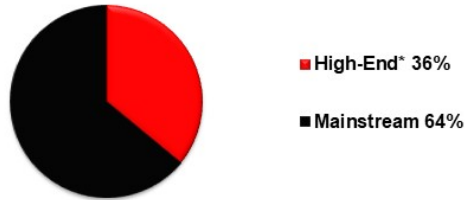
▶ **China revenue**

- Up 15% Q/Q and 60% Y/Y
- Represents 22% of Q320 IC revenue

▶ **Outlook**

- New US restrictions on Huawei (8/17) creating greater uncertainty
- Potential headwinds if governments escalate shelter-in-place mandates

Q320 Revenue by Technology



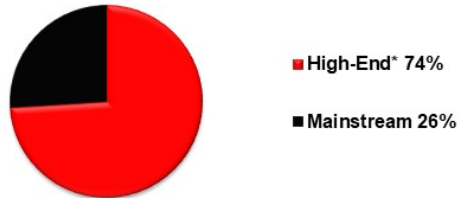
*28nm and smaller

FPD Photomask Revenue

\$M	Q320	Q220	Q/Q	Q319	Y/Y
High-End*	\$ 36.7	\$ 31.8	15%	\$ 23.1	59%
Mainstream	\$ 12.6	\$ 14.1	(11%)	\$ 14.8	(15%)
Total	\$ 49.2	\$ 45.9	7%	\$ 37.9	30%

Total may differ due to rounding

Q320 Revenue by Technology



*≥G10.5, AMOLED and LTPS

▶ **High-end revenue growth across all technologies (AMOLED, G10.5+, LTPS)**

▶ **China revenue**

- Up 5% Q/Q and 36% Y/Y
- Represents 56% of Q320 FPD revenue

▶ **Outlook**

- Dynamic market environment
- Temporary dislocation as supply chain reacts to Huawei restrictions
- Planned annual PM in Hefei

Select Financial Data

\$M	Q320	Q220	Q319
Cash	\$ 261	\$ 238	\$ 197
Debt	\$ 53	\$ 53	\$ 49
Net Cash*	\$ 208	\$ 184	\$ 148
Operating Cash Flow	\$ 17	\$ 31	\$ 26
Capital Expenditures	\$ 7	\$ 16	\$ 20
Government Incentives for Capital Equipment	-	\$ 3	\$ 12
Share repurchase	-	\$ 6	-

▶ **Debt is mostly local China borrowing to finance fixed assets, working capital and VAT**

▶ **YTD capex is \$37M; expect FY 2020 capex ~\$80M**

▶ **Balance sheet able to fund planned 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

Q420 Guidance

Revenue (\$M)	\$148 - \$158
Operating Margin	10% - 14%
Taxes (\$M)	\$4 - \$5
EPS	\$0.12 - \$0.19
Diluted Shares (M)	~65

- ▶ **Huawei restrictions creates uncertainty across IC & FPD supply chains**
- ▶ **Annual PM planned for Hefei plant**
- ▶ **Focus on expanding margins and improving cash flows**
- ▶ **Potential geopolitical headwind due to coronavirus reaction and trade policy decisions**

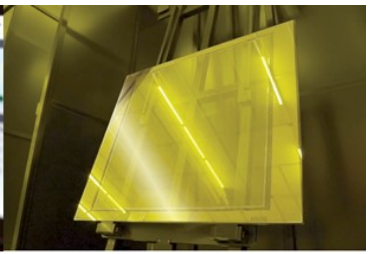
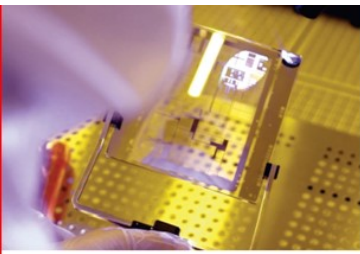


Thank you for your interest!

For Additional Information:

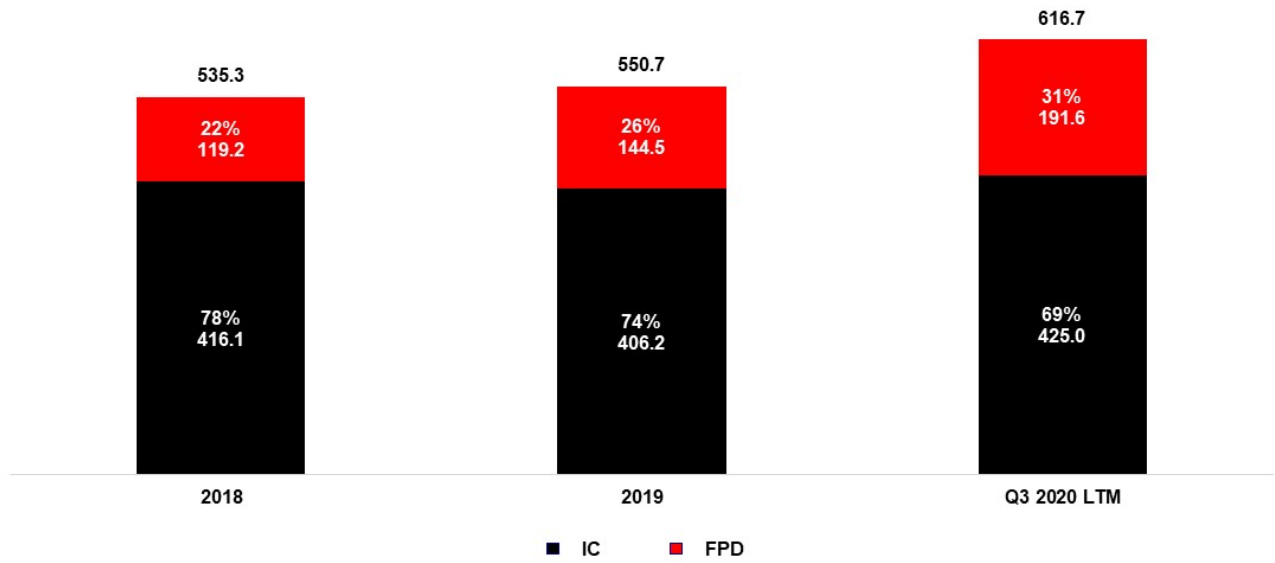
R. Troy Dewar, CFA
Vice President, Investor Relations
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Appendix

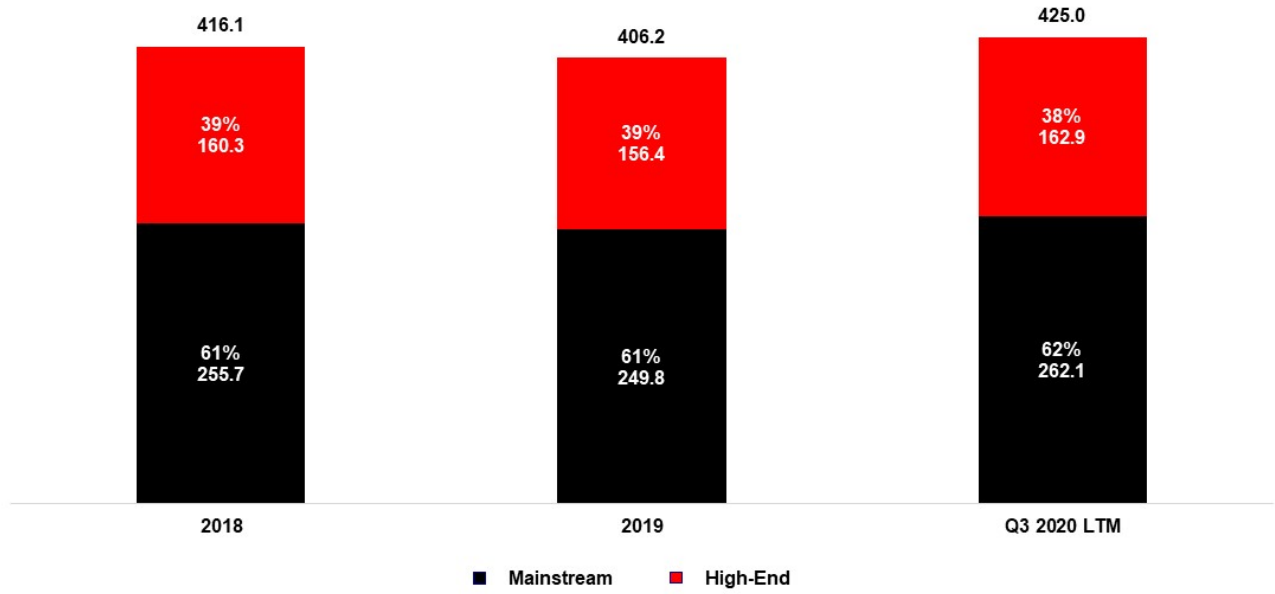
Total Revenue



Total may differ due to rounding

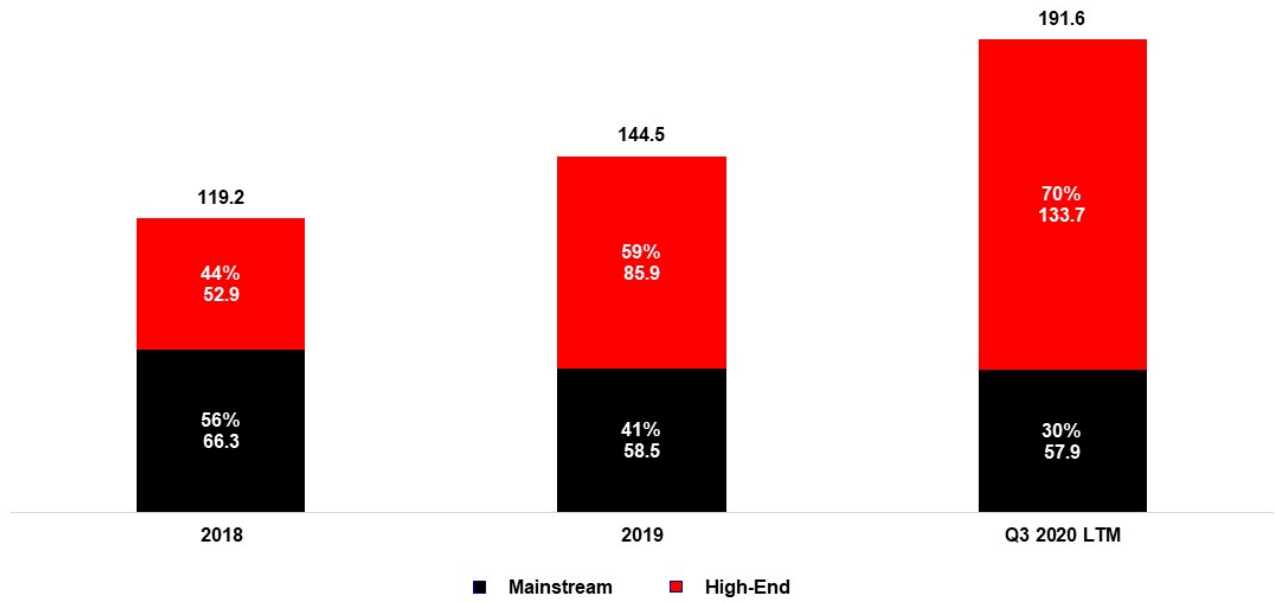


IC Photomask Revenue



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

FPD Photomask Revenue



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

