

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) **November, 29 2017**

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 Number)

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 (17 CFR 230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR 240.12b-2)

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.

Item 2.02 Results of Operation and Financial Condition

On November 29, 2017 the Corporation issued a press release reporting fourth quarter fiscal 2017 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, 99.5, and 99.6, 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.

On November 29, 2017, the Company will conduct a conference call during which certain unaudited, non-GAAP financial information related to the Company’s operations for the three months ended October 29, 2017 will be disclosed. This information is set forth in Exhibit 99.6 .

EBITDA is a non-GAAP financial measure that the Company defines pursuant to its credit agreement. The Company believes that EBITDA is generally accepted as providing useful information regarding the operational strength and performance of its business, including the ability of the Company to pay interest, service debt and fund capital expenditures. The Company’s method for calculating EBITDA may not be comparable to methods used by other companies but is the same method the Company uses for calculating EBITDA under its credit facility. The Company has included in the press release certain reconciliation information for EBITDA to its most directly comparable financial measure of net income calculated and reported in accordance with GAAP.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

| | |
|-----------------------------|---|
| <u>99.1</u> | Press Release dated November 29, 2017 |
| <u>99.2</u> | Condensed Consolidated Statements of Income |
| <u>99.3</u> | Condensed Consolidated Balance Sheets |
| <u>99.4</u> | Condensed Consolidated Statements of Cash Flows |
| <u>99.5</u> | Reconciliation of GAAP to Non-GAAP Financial Information |
| <u>99.6</u> | Photronics Q4 2017 Financial Results Conference Call November 29, 2017 slides |

SIGNATURES

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)

DATE: November 30, 2017

BY /s/ *Richelle E. Burr*

Richelle E. Burr

Vice President, General Counsel

PHOTRONICS, INC.



Press Release

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

Photronics Reports Fourth Quarter Fiscal 2017 Results

BROOKFIELD, CT — (Marketwired – November 29, 2017) —

- Fourth quarter fiscal 2017 revenue was \$121.0 million, up 8% sequentially and 13% year-over-year
- Net income attributable to Photronics, Inc. shareholders was \$5.4 million (\$0.08 per diluted share)
- Capital expenditures of \$53 million led to cash of \$308 million at year end; balance sheet remains strong while funding strategic growth initiatives
- First quarter fiscal 2018 guidance: revenue between \$110 and \$118 million with diluted EPS between \$0.02 and \$0.09

Photronics, Inc. (NASDAQ:PLAB), a worldwide leader in supplying innovative imaging technology solutions for the global electronics industry, today reported financial results for its fiscal 2017 fourth quarter ended October 29, 2017.

Fourth quarter revenue was \$121.0 million, increases of 8% sequentially and 13% compared with last year. Integrated circuit (IC) revenue was \$96.1 million, up 13% sequentially and 17% compared with last year. Flat panel display (FPD) revenue was \$24.9 million, decreases of 6% sequentially and 1% compared with last year.

Net income attributable to Photronics, Inc. shareholders was \$5.4 million (\$0.08 per diluted share), compared with \$4.0 million (\$0.06 per diluted share) for the third quarter of 2017 and \$5.3 million (\$0.08 per diluted share) for the fourth quarter of 2016. The results for fourth quarter 2016 included a non-recurring tax benefit of \$1.8 million (\$0.03 per diluted share).

“Revenue improved this quarter on the strength of high-end mask sales, particularly in IC where high-end memory continued the positive trend of the last four quarters, and high-end logic advanced on growing Asia foundry 28 nm demand,” said Peter Kirilin, chief executive officer. “High-end FPD also improved due in part to continued growth in demand for AMOLED in China. Operating margin improved to 10.3% due to our operating leverage and effective cost control. Continued strong cash generation supports our ability to fund planned investments, including the two China projects. The capex forecast of approximately \$250 million in 2018 will be the most the Company has spent in one year. We believe the China investments, when complete and fully operational, will provide attractive returns and will make significant contributions to revenue and profit growth.”

Full Year Results

Full year revenue in fiscal 2017 was \$450.7 million, 7% less than fiscal 2016 full-year revenue. Revenue from IC photomasks of \$350.3 million was 4% less than prior year, and FPD revenue was \$100.4 million, 16% less than prior year FPD revenue.

Full year net income attributable to Photronics, Inc. shareholders was \$13.1 million in fiscal 2017 (\$0.19 per diluted share), compared with \$46.2 million (\$0.64 per diluted share) in 2016. Non-GAAP net income attributable to Photronics, Inc. shareholders was \$13.1 million in fiscal 2017 (\$0.19 per diluted share), compared with \$32.6 million (\$0.47 per diluted share) in fiscal 2016.

First Quarter 2018 Guidance

Kirlin continued, “For fiscal 2018 first quarter, underlying high-end IC demand drivers still appear healthy, potentially tempered by anticipated seasonal softness. We expect high-end FPD demand to remain flat. Our cash balance will likely decrease during the quarter as we ramp up investments for the China expansion. For the first quarter of fiscal 2018, Photronics expects revenues to be between \$110 million and \$118 million, and net income attributable to Photronics, Inc. shareholders to be between \$0.02 and \$0.09 per diluted share.”

Conference Call

A conference call to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, November 29, 2017. The call can be accessed by logging onto Photronics’ web site at www.photonics.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’ web site for instant replay access.

Non-GAAP Financial Measures

Non-GAAP net income attributable to Photronics, Inc. shareholders, non-GAAP earnings per share, and non-GAAP EBITDA are “non-GAAP financial measures” as such term is defined by the Securities and Exchange Commission, and may differ from non-GAAP financial measures used by other companies. The attached financial supplement reconciles Photronics, Inc.’s financial results under GAAP to non-GAAP financial information. Photronics, Inc. believes these non-GAAP financial measures that exclude certain non-cash or non-recurring income or expense items are useful for analysts and investors to evaluate Photronics, Inc.’s future on-going performance because they enable a more meaningful comparison of Photronics, Inc.’s projected earnings and performance with its historical results of prior periods. These non-GAAP metrics are not intended to represent funds available for Photronics, Inc.’s discretionary use and are not intended to represent, or be used as a substitute for, operating income, net income or cash flows from operations data as measured under GAAP. The items excluded from these non-GAAP metrics, but included in the calculation of their closest GAAP equivalent, are significant components of the condensed consolidated statements of income and must be considered in performing a comprehensive assessment of overall financial performance. Non-GAAP financial information is adjusted for the following items:

- Non-recurring tax benefit in fiscal 2016 related to the recognition of certain tax benefits in Taiwan that were determined to be realizable in filings for future tax periods
- Non-recurring net gain on sale of investment in fiscal 2016
- Interest expense, income tax expense/(benefit), depreciation and amortization, and other items are added to GAAP net income to derive non-GAAP EBITDA

About Photronics

Photronics is a leading worldwide manufacturer of photomasks. Photomasks are high precision quartz plates that contain microscopic images of electronic circuits. A key element in the manufacture of semiconductors and flat panel displays, photomasks are used to transfer circuit patterns onto semiconductor wafers and flat panel display substrates during the fabrication of integrated circuits, a variety of flat panel displays and, to a lesser extent, other types of electrical and optical components. They are produced in accordance with product designs provided by customers at strategically located manufacturing facilities in Asia, Europe, and North America. Additional information on the Company can be accessed at www.photronics.com

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements made by or on behalf of Photronics, Inc. and its subsidiaries (the Company). The forward-looking statements contained in this press release and other parts of Photronics’ web site involve risks and uncertainties that may affect the Company’s operations, markets, products, services, prices, and other factors. These risks and uncertainties include, but are not limited to, economic, competitive, legal, governmental, and technological factors as well as decisions we may make in the future regarding our business, capital structure and other matters. These forward-looking statements generally can be identified by phrases such as “believes”, “expects”, “anticipates”, “plans”, “projects”, and similar expressions. Accordingly, there is no assurance that the Company’s expectations will be realized. For a fuller discussion of the factors that may affect the Company’s operations, see “Forward Looking Statements” in the Company’s Quarterly and Annual Reports to the Securities and Exchange Commission on Forms 10-Q and 10-K. The Company assumes no obligation to provide revisions to any forward-looking statements.

12-2017

PHOTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income

(in thousands, except per share amounts)
(Unaudited)

| | Three Months Ended | | | Year Ended | |
|--|---------------------|------------------|---------------------|---------------------|---------------------|
| | October 29, 2017 | July 30, 2017 | October 30, 2016 | October 29, 2017 | October 30, 2016 |
| Revenue | \$ 120,971 | \$ 111,579 | \$ 107,368 | \$ 450,678 | \$ 483,456 |
| Cost of goods sold | (94,529) | (89,862) | (86,835) | (359,363) | (364,750) |
| Gross profit | 26,442 | 21,717 | 20,533 | 91,315 | 118,706 |
| Operating Expenses: | | | | | |
| Selling, general and administrative | (10,182) | (11,639) | (10,191) | (43,585) | (44,577) |
| Research and development | (3,838) | (4,812) | (5,041) | (15,862) | (21,654) |
| Total Operating Expenses | (14,020) | (16,451) | (15,232) | (59,447) | (66,231) |
| Operating income | 12,422 | 5,266 | 5,301 | 31,868 | 52,475 |
| Gain on sale of investment | - | - | - | - | 8,940 |
| Other income (expense), net | 536 | (134) | (69) | (5,303) | (941) |
| Income before income taxes | 12,958 | 5,132 | 5,232 | 26,565 | 60,474 |
| Income tax (provision) benefit | (2,462) | (333) | 1,337 | (5,276) | (4,798) |
| Net income | 10,496 | 4,799 | 6,569 | 21,289 | 55,676 |
| Net income attributable to noncontrolling interests | (5,110) | (798) | (1,313) | (8,159) | (9,476) |
| Net income attributable to Photronics, Inc. shareholders | \$ 5,386 | \$ 4,001 | \$ 5,256 | \$ 13,130 | \$ 46,200 |
| Earnings per share: | | | | | |
| Basic | \$ 0.08 | \$ 0.06 | \$ 0.08 | \$ 0.19 | \$ 0.68 |
| Diluted | \$ 0.08 | \$ 0.06 | \$ 0.08 | \$ 0.19 | \$ 0.64 |
| Weighted-average number of common shares outstanding: | | | | | |
| Basic | 68,615 | 68,525 | 68,025 | 68,436 | 67,539 |
| Diluted | 69,218 | 69,380 | 68,906 | 69,288 | 76,354 |

PHOTRONICS, INC. AND SUBSIDIARIES**Condensed Consolidated Balance Sheets**

(in thousands)

(Unaudited)

| | <u>October 29, 2017</u> | <u>October 30, 2016</u> |
|--|-----------------------------|-----------------------------|
| <u>Assets</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 308,021 | \$ 314,074 |
| Accounts receivable | 105,320 | 92,636 |
| Inventories | 23,703 | 22,081 |
| Other current assets | <u>12,080</u> | <u>12,795</u> |
| Total current assets | 449,124 | 441,586 |
| Property, plant and equipment, net | 535,197 | 506,434 |
| Intangible assets, net | 17,122 | 19,854 |
| Other assets | <u>19,351</u> | <u>20,114</u> |
| Total assets | <u>\$ 1,020,794</u> | <u>\$ 987,988</u> |
| <u>Liabilities and Equity</u> | | |
| Current liabilities: | | |
| Current portion of long-term borrowings | \$ 4,639 | \$ 5,428 |
| Accounts payable and accrued liabilities | <u>77,137</u> | <u>75,889</u> |
| Total current liabilities | 81,776 | 81,317 |
| Long-term borrowings | 57,337 | 61,860 |
| Other liabilities | 16,386 | 19,337 |
| Photronics, Inc. shareholders' equity | 744,564 | 710,363 |
| Noncontrolling interests | <u>120,731</u> | <u>115,111</u> |
| Total equity | <u>865,295</u> | <u>825,474</u> |
| Total liabilities and equity | <u>\$ 1,020,794</u> | <u>\$ 987,988</u> |

PHOTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows

(in thousands)
(Unaudited)

| | Year Ended | |
|---|---------------------|---------------------|
| | October 29, 2017 | October 30, 2016 |
| Cash flows from operating activities: | | |
| Net income | \$ 21,289 | \$ 55,676 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 86,573 | 82,406 |
| Gain on sale of investment | - | (8,940) |
| Changes in assets, liabilities and other | (11,029) | (7,005) |
| Net cash provided by operating activities | <u>96,833</u> | <u>122,137</u> |
| Cash flows from investing activities: | | |
| Purchases of property, plant and equipment | (91,965) | (50,147) |
| Acquisition of Business | (5,400) | - |
| Proceeds from sale of investments | 167 | 101,853 |
| Other | (868) | 584 |
| Net cash (used in) provided by investing activities | <u>(98,066)</u> | <u>52,290</u> |
| Cash flows from financing activities: | | |
| Repayments of long-term borrowings | (5,428) | (57,609) |
| Payments to noncontrolling interests | (8,298) | (12,856) |
| Proceeds from share-based arrangements | 2,830 | 3,463 |
| Other | (32) | (20) |
| Net cash used in financing activities | <u>(10,928)</u> | <u>(67,022)</u> |
| Effect of exchange rate changes on cash | <u>6,108</u> | <u>802</u> |
| Net (decrease) increase in cash and cash equivalents | (6,053) | 108,207 |
| Cash and cash equivalents, beginning of period | <u>314,074</u> | <u>205,867</u> |
| Cash and cash equivalents, end of period | <u>\$ 308,021</u> | <u>\$ 314,074</u> |

PHOTRONICS, INC. AND SUBSIDIARIES
Non-GAAP Financial Measures
Reconciliation of GAAP to Non-GAAP Financial Information

(in thousands, except per share data)
(Unaudited)

| | Three Months Ended | | | Year Ended | |
|---|---------------------|------------------|---------------------|---------------------|---------------------|
| | October 29, 2017 | July 30, 2017 | October 30, 2016 | October 29, 2017 | October 30, 2016 |
| Reconciliation of GAAP to Non-GAAP Net Income Attributable to Photronics, Inc. Shareholders and EPS data | | | | | |
| GAAP net income attributable to Photronics, Inc. shareholders | \$ 5,386 | \$ 4,001 | \$ 5,256 | \$ 13,130 | \$ 46,200 |
| Income tax benefit (a) | - | - | (1,834) | - | (4,838) |
| Gain on sale of investment, net of tax (b) | - | - | - | - | (8,753) |
| Non-GAAP net income attributable to Photronics, Inc. shareholders | <u>\$ 5,386</u> | <u>\$ 4,001</u> | <u>\$ 3,422</u> | <u>\$ 13,130</u> | <u>\$ 32,609</u> |
| Weighted average number of diluted shares outstanding | | | | | |
| GAAP | <u>69,218</u> | <u>69,380</u> | <u>68,906</u> | <u>69,288</u> | <u>76,354</u> |
| Non-GAAP | <u>69,218</u> | <u>69,380</u> | <u>68,906</u> | <u>69,288</u> | <u>76,354</u> |
| Net income per diluted share | | | | | |
| GAAP | <u>\$ 0.08</u> | <u>\$ 0.06</u> | <u>\$ 0.08</u> | <u>\$ 0.19</u> | <u>\$ 0.64</u> |
| Non-GAAP | <u>\$ 0.08</u> | <u>\$ 0.06</u> | <u>\$ 0.05</u> | <u>\$ 0.19</u> | <u>\$ 0.47</u> |
| Reconciliation of GAAP Net Income to Non-GAAP EBITDA | | | | | |
| GAAP Net Income (c) | \$ 10,496 | \$ 4,799 | \$ 6,569 | \$ 21,289 | \$ 55,676 |
| Interest expense | 578 | 550 | 616 | 2,235 | 3,366 |
| Income tax expense | 2,462 | 333 | (1,337) | 5,276 | 4,798 |
| Depreciation and amortization | 22,492 | 21,840 | 22,304 | 86,573 | 82,406 |
| Other items (d) | 785 | 984 | 980 | 3,627 | 3,828 |
| Non-GAAP EBITDA | <u>\$ 36,813</u> | <u>\$ 28,506</u> | <u>\$ 29,132</u> | <u>\$ 119,000</u> | <u>\$ 150,074</u> |

Notes:

- (a) Represents tax benefit primarily related to the recognition of prior period tax benefits and other tax positions no longer deemed necessary in Taiwan
(b) Represents gain on sale of investment in a foreign entity
(c) Includes net income attributable to noncontrolling interests, and in 2016 includes gain on sale of investment in a foreign entity
(d) Consists of stock compensation expense

Photronics, Inc.

**Q4 2017 Financial Results Conference Call
November 29, 2017**



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”, “should” 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, specifically our most recent Form 10K and Form 10Q.

Non-GAAP Financial Measures

This presentation and some of our comments may reference non-GAAP financial measures. These non-GAAP financial measures exclude certain income or expense items, and are consistent with another way management internally analyzes our results of operations. Non-GAAP information should be considered to be a supplement to, and not a substitute for, financial statements prepared in accordance with GAAP. Please see the “Reconciliation of GAAP to Non-GAAP Financial Information” in this presentation.

Save the Date

Photronics Investor Day

Wednesday, May 23, 2018
New York City

More details to follow. If you have any questions, please contact tdewar@photronics.com

Q4 2017 Summary

- ▶ **Revenue grew 8% Q/Q and 13% Y/Y; high-end growth achieved in both IC and FPD**
- ▶ **Margins expanded; incremental operating margin was 76% Q/Q & 52% Y/Y**
- ▶ **Net income attributable to Photronics, Inc. shareholders of \$5.4M (\$0.08/share)**
- ▶ **Cash balance reduced as we ramp strategic investments for future growth**
 - Completed \$40M FPD capacity expansion
 - Ordered FPD writing tools to expand capability in Korea and establish G10.5+ presence in China
 - China IC (Xiamen) construction progressing; have satisfied all regulatory closing conditions for JV with DNP, expect to close during Q118

Investing in long-term, profitable growth to increase shareholder value

Income Statement Summary

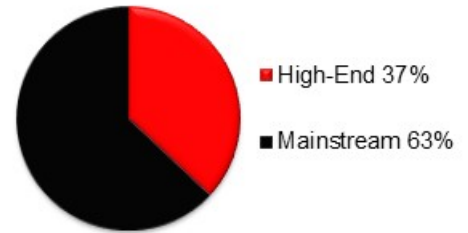
| <u>\$M (except EPS)</u> | <u>Q4 2017</u> | <u>Q3 2017</u> | <u>Q/Q</u> | <u>Q4 2016</u> | <u>Y/Y</u> |
|-------------------------|----------------|----------------|----------------|----------------|----------------|
| Revenue | \$ 121.0 | \$ 111.6 | 8% | \$ 107.4 | 13% |
| <i>Gross Margin</i> | <i>21.9%</i> | <i>19.5%</i> | <i>240 bps</i> | <i>19.1%</i> | <i>280 bps</i> |
| <i>Operating Margin</i> | <i>10.3%</i> | <i>4.7%</i> | <i>560 bps</i> | <i>4.9%</i> | <i>540 bps</i> |
| Net Income* | \$ 5.4 | \$ 4.0 | 35% | \$ 5.3 | 2% |
| Diluted EPS* | \$ 0.08 | \$ 0.06 | \$ 0.02 | \$ 0.08 | \$ 0.00 |

- ▶ Revenue up Q/Q and Y/Y due to high-end IC & FPD growth
- ▶ Gross margin and operating margin expanded due to high operating leverage and lower opex (opex decreased \$2.4M Q/Q)
- ▶ Minority interest expense increased to \$5.1M due to strong performance from Taiwan IC JV

IC Photomask Revenue

| <u>\$M</u> | <u>Q4 2017</u> | <u>Q3 2017</u> | <u>Q/Q</u> | <u>Q4 2016</u> | <u>Y/Y</u> |
|------------|----------------|----------------|------------|----------------|------------|
| High-End* | \$ 35.3 | \$ 23.7 | 49% | \$ 24.6 | 44% |
| Mainstream | \$ 60.7 | \$ 61.4 | (1%) | \$ 57.7 | 5% |
| Total | \$ 96.1 | \$ 85.2 | 13% | \$ 82.2 | 17% |

Q417 Revenue by Technology



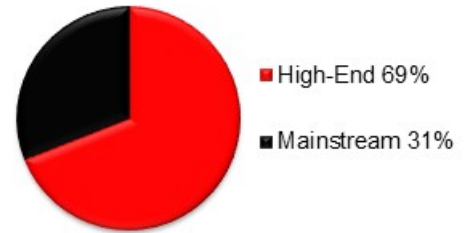
*45nm and smaller; total may differ due to rounding

- ▶ High-end revenue surged on logic and memory growth
 - High-end memory continued to grow sequentially
 - High-end logic demand improved due to Asian foundry strength, especially 28nm
- ▶ Revenue expected to experience seasonal softness in Q1
 - No deterioration in underlying demand drivers
 - Expect to maintain or increase market share

FPD Photomask Revenue

| <u>\$M</u> | <u>Q4 2017</u> | <u>Q3 2017</u> | <u>Q/Q</u> | <u>Q4 2016</u> | <u>Y/Y</u> |
|------------|----------------|----------------|------------|----------------|------------|
| High-End* | \$ 17.1 | \$ 16.8 | 2% | \$ 15.9 | 8% |
| Mainstream | \$ 7.8 | \$ 9.7 | (19%) | \$ 9.2 | (16%) |
| Total | \$ 24.9 | \$ 26.4 | (6%) | \$ 25.1 | (1%) |

Q417 Revenue by Technology



*≥G8 and AMOLED; total may differ due to rounding

- ▶ High-end improved on China AMOLED demand
- ▶ Expect revenue to stay flat in Q118 before improving later in the year
- ▶ Completed \$40M capacity expansion with installation of 2nd tool
- ▶ Placed orders for next phase of FPD growth
 - P-800 for Korea to serve growing AMOLED demand; to be installed H118
 - 2 P-10's for China to serve G10.5+ capacity for larger-format LCD TV

Select Financial Data

| <u>\$M</u> | <u>Q4 2017</u> | <u>Q3 2017</u> | <u>Q4 2016</u> |
|----------------------|----------------|----------------|----------------|
| Cash | \$ 308 | \$ 341 | \$ 314 |
| Debt | \$ 62 | \$ 63 | \$ 68 |
| Net Cash* | \$ 246 | \$ 277 | \$ 247 |
| Operating Cash Flow | \$ 23 | \$ 27 | \$ 31 |
| Capital Expenditures | \$ 53 | \$ 25 | \$ 5 |
| LTM EBITDA | \$ 119 | \$ 111 | \$ 150 |

- ▶ Cash balance down on higher capex
- ▶ Operating cash flow decreased due to higher accounts receivable from revenue growth
- ▶ 2018 capex expected to be ~\$250M, primarily for China IC & FPD investments
- ▶ Balance sheet is able to fund planned investments and strategic M&A opportunities

Q1 2018 Guidance

| | |
|--------------------|-----------------|
| Revenue (\$M) | \$110 - \$118 |
| Taxes (\$M) | \$1 - \$2 |
| EPS | \$0.02 - \$0.09 |
| Diluted Shares (M) | ~74 |

- ▶ Anticipate flat FPD and seasonally soft IC in Q118
- ▶ High-end demand expected to improve later in 2018
 - More AMOLED display capacity coming online, driving mask demand
 - Largest IC customer expects to increase 28nm output
 - Memory market demand outlook remains healthy
- ▶ Expect margin headwinds in H218 as China operations begin to ramp ahead of production in early 2019



Thank you for your interest!

For Additional Information:

R. Troy Dewar, CFA
Director, Investor Relations
203.740.5610
tdewar@photonics.com



Appendix

China Growth Investments

| | IC | FPD |
|------------------|--|-------------------------|
| Announced | August 2016 | August 2017 |
| Location | Xiamen | Hefei |
| Investment (\$M) | \$160M | \$160M |
| Structure | JV* | Wholly-owned |
| Time period | 5 years | 5 years |
| Technology | High-end, mainstream, logic, memory | Up to G10.5+, AMOLED |
| Production start | Early 2019 | Early spring 2019 |
| Projected sales | \$150M (total for both investments) | |

PLAB well positioned for these investments

Global merchant market and technology leader

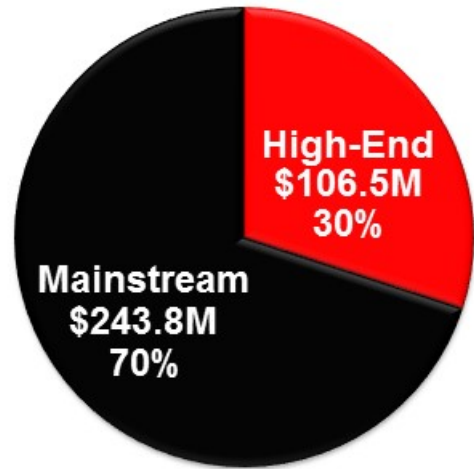
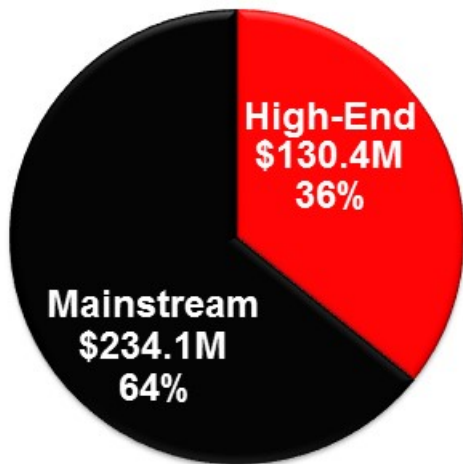
Strong footprint in Asia

Balance sheet to support investment

IC Photomask Revenue

2016: \$364.5M

2017: \$350.3M

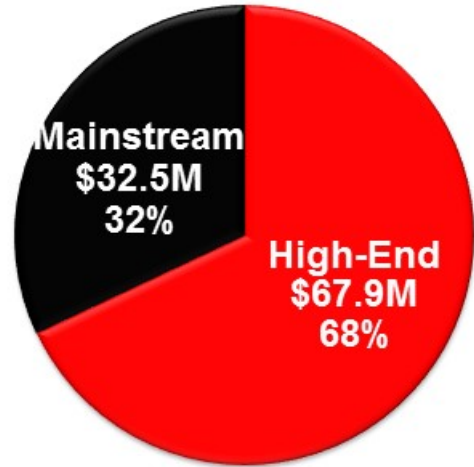
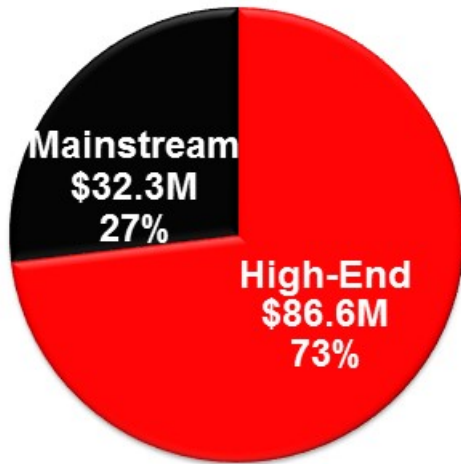


High-End: 45nm and smaller; total may differ due to rounding

FPD Photomask Revenue

2016: \$118.9M

2017: \$100.4M



High-End: ≥G8 and AMOLED; total may differ due to rounding

PHOTRONICS, INC. AND SUBSIDIARIES
Non-GAAP Financial Measures
Reconciliation of GAAP to Non-GAAP Financial Information
(in thousands, except per share data)
(Unaudited)

| | Three Months Ended | | | Year Ended | |
|---|---------------------|------------------|---------------------|---------------------|---------------------|
| | October 29, 2017 | July 30, 2017 | October 30, 2016 | October 29, 2017 | October 30, 2016 |
| Reconciliation of GAAP to Non-GAAP Net Income | | | | | |
| Attributable to Photronics, Inc. Shareholders and EPS data | | | | | |
| GAAP net income attributable to Photronics, Inc. shareholders | \$ 5,386 | \$ 4,001 | \$ 5,256 | \$ 13,130 | \$ 46,200 |
| Income tax benefit (a) | - | - | (1,834) | - | (4,838) |
| Gain on sale of investment, net of tax (b) | - | - | - | - | (8,753) |
| Non-GAAP net income attributable to Photronics, Inc. shareholders | <u>\$ 5,386</u> | <u>\$ 4,001</u> | <u>\$ 3,422</u> | <u>\$ 13,130</u> | <u>\$ 32,609</u> |
| Weighted average number of diluted shares outstanding | | | | | |
| GAAP | 69,218 | 69,380 | 68,906 | 69,288 | 76,354 |
| Non-GAAP | <u>69,218</u> | <u>69,380</u> | <u>68,906</u> | <u>69,288</u> | <u>76,354</u> |
| Net income per diluted share | | | | | |
| GAAP | \$ 0.08 | \$ 0.06 | \$ 0.08 | \$ 0.19 | \$ 0.64 |
| Non-GAAP | <u>\$ 0.08</u> | <u>\$ 0.06</u> | <u>\$ 0.05</u> | <u>\$ 0.19</u> | <u>\$ 0.47</u> |
| Reconciliation of GAAP Net Income to Non-GAAP EBITDA | | | | | |
| GAAP Net Income (c) | \$ 10,496 | \$ 4,799 | \$ 6,569 | \$ 21,289 | \$ 55,676 |
| Interest expense | 578 | 550 | 616 | 2,235 | 3,366 |
| Income tax expense | 2,462 | 333 | (1,337) | 5,276 | 4,798 |
| Depreciation and amortization | 22,492 | 21,840 | 22,304 | 86,573 | 82,406 |
| Other items (d) | 785 | 984 | 980 | 3,627 | 3,828 |
| Non-GAAP EBITDA | <u>\$ 36,813</u> | <u>\$ 28,506</u> | <u>\$ 29,132</u> | <u>\$ 119,000</u> | <u>\$ 150,074</u> |

Notes:

- (a) Represents tax benefit primarily related to the recognition of prior period tax benefits and other tax positions no longer deemed necessary in Taiwan
- (b) Represents gain on sale of investment in a foreign entity
- (c) Includes net income attributable to noncontrolling interests, and in 2016 includes gain on sale of investment in a foreign entity
- (d) Consists of stock compensation expense

