

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) February 20, 2023

**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

**Item 2.02.**      **Results of Operations and Financial Condition.**

**Item 7.01.**      **Regulation FD Disclosure.**

On February 20, 2023, Photronics, Inc. (the “Company”) issued a press release reporting first quarter fiscal 2023 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 February 22, 2023, 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 January 29, 2023 may be disclosed. This information is set forth in Exhibit 99.6.

---

**Item 9.01. Financial Statements and Exhibits.**

- (d) Exhibits
- [99.1](#) Press Release February 20, 2023.
  - [99.2](#) Condensed Consolidated Statements of Income.
  - [99.3](#) Condensed Consolidated Balance Sheets.
  - [99.4](#) Condensed Consolidated Statements of Cash Flows.
  - [99.5](#) Reconciliation of GAAP to non-GAAP Financial Information
  - [99.6](#) Photonics Q1 2023 Financial Results Conference Call February 22, 2023 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: February 21, 2023

---



**For Further Information:**  
John P. Jordan  
Executive Vice President & CFO  
203.740.5671  
[jjordan@photronics.com](mailto:jjordan@photronics.com)

---

### Photronics Reports First Quarter Fiscal 2023 Results

BROOKFIELD, Conn. February 20, 2023 (GLOBE NEWSWIRE) — [Photronics, Inc.](#) (NASDAQ:PLAB), a worldwide leader in photomask technologies and solutions, today reported financial results for its fiscal first quarter 2023 ended January 29, 2023.

“We made a great start to 2023 and grew revenue sequentially, as both IC and FPD high-end businesses improved due to ongoing design-driven demand,” said Frank Lee, chief executive officer. “IC growth was driven by high-end demand from Asian foundries; FPD benefited from increased G10.5+ demand and continued strength in mobile displays.

“Profit margins were somewhat softer than the previous quarter primarily due to less favorable mix and somewhat lower customer premiums to accelerate delivery. Operating cash generation continued strong, which enables us to continue investing in organic growth and maintain a strong balance sheet to support our strategy and help navigate economic uncertainty. I am proud of the performance of the entire Photronics team.”

#### First Quarter 2023 Results

- Revenue was \$211.1 million up 0.4% sequentially and 11% year-over-year
  - GAAP net income attributable to Photronics, Inc. shareholders was \$14.0 million (\$0.23 per diluted share), compared with \$37.1 million (\$0.60 per diluted share) in the fourth quarter of 2022 and \$23.1 million (\$0.38 per diluted share) in the first quarter 2022
  - Non-GAAP net income attributable to Photronics, Inc. shareholders was \$24.4 million (\$0.40 per diluted share), compared with \$31.2 million (\$0.51 per diluted share) in the fourth quarter of 2022 and \$19.2 million (\$0.32 per diluted share) in the first quarter 2022
  - IC revenue was \$156.6 million, up 0.2% sequentially and 21% year-over-year
  - FPD revenue was \$54.5 million, up 1% sequentially and 9% less than same quarter last year
  - Cash generated from operating activities was \$28 million, and cash invested in growth through capital expenditures was \$31 million
-

## Second Quarter 2023 Guidance

For the second quarter of 2023, Photronics expects revenue to be between \$205 million and \$215 million and net income attributable to Photronics, Inc. shareholders to be between \$0.38 and \$0.48 per diluted share.

### Webcast

A webcast to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, February 22, 2023. The call will be broadcast live and on-demand on the [Events and Presentations](#) link on the Photronics website. Analysts and investors who wish to participate in the Q&A portion of the call should click [here](#). It is suggested that participants register fifteen minutes prior to the call's scheduled start time.

### 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, 2022, the company had 1,828 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" regarding our industry, our strategic position, and our financial and operating results. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results, performance or achievements to differ materially. Please refer to the documents we file with the Securities and Exchange Commission. These documents contain and identify important factors that could cause our actual results to differ materially from those contained in these forward-looking statements. These certain factors can be found at [www.photronics.com/riskfactors](#). Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. We are under no duty to update any of the forward-looking statements after the date of this release to conform these statements to actual results.

### Non-GAAP Financial Measures

Non-GAAP Net Income attributable to Photronics, Inc. shareholders and non-GAAP earnings per share, Free Cash Flow, LTM Free Cash Flow, and Net Cash are "non-GAAP financial measures" as such term is defined by the Securities and Exchange Commission, and may differ from similarly named non-GAAP financial measures used by other companies. The attached financial supplement reconciles Photronics, Inc. financial results under GAAP to non-GAAP financial information. We believe these non-GAAP financial measures that exclude certain items are useful for analysts and investors to evaluate our future on-going performance because they enable a more meaningful comparison of our projected performance with our historical results. These non-GAAP metrics are not intended to represent funds available for our discretionary use and are not intended to represent, or be used as a substitute for, gross profit, operating income, net income, cash and cash equivalents, or cash flows from operations, 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 balance sheets and statement of cash flows and must be considered in performing a comprehensive assessment of overall financial performance. Please refer to the non-GAAP reconciliations on the following page.

---

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

	Three Months Ended		
	January 29, 2023	October 31, 2022	January 30, 2022
Revenue	\$ 211,090	\$ 210,266	\$ 189,827
Cost of goods sold	135,013	129,997	129,964
Gross Profit	76,077	80,269	59,863
Operating Expenses:			
Selling, general and administrative	16,818	15,683	15,727
Research and development	3,302	4,045	5,939
Total Operating Expenses	20,120	19,728	21,666
Operating Income	55,957	60,541	38,197
Non-operating (loss) income, net	(14,425)	10,797	4,707
Income Before Income Tax Provision	41,532	71,338	42,904
Income tax provision	12,582	16,074	11,178
Net Income	28,950	55,264	31,726
Net income attributable to noncontrolling interests	14,964	18,204	8,662
Net income attributable to Photronics, Inc. shareholders	\$ 13,986	\$ 37,060	\$ 23,064
Earnings per share:			
Basic	\$ 0.23	\$ 0.61	\$ 0.38
Diluted	\$ 0.23	\$ 0.60	\$ 0.38
Weighted-average number of common shares outstanding:			
Basic	60,894	60,773	60,158
Diluted	61,470	61,374	60,936

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

	<u>January 29, 2023</u>	<u>October 31, 2022</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 334,792	\$ 319,680
Short-term investments	39,199	38,820
Accounts receivable	220,692	198,147
Inventories	52,796	50,753
Other current assets	<u>53,337</u>	<u>37,252</u>
Total current assets	700,816	644,652
Property, plant and equipment, net	710,927	643,873
Other assets	<u>29,937</u>	<u>27,305</u>
Total assets	<u>\$ 1,441,680</u>	<u>\$ 1,315,830</u>
<b>Liabilities and Equity</b>		
Current liabilities:		
Current portion of long-term debt	\$ 6,541	\$ 10,024
Accounts payable and accrued liabilities	<u>192,790</u>	<u>183,773</u>
Total current liabilities	199,331	193,797
Long-term debt	27,323	32,310
Other liabilities	<u>32,306</u>	<u>27,634</u>
Photronics, Inc. shareholders' equity	920,765	831,527
Noncontrolling interests	<u>261,955</u>	<u>230,562</u>
Total equity	<u>1,182,720</u>	<u>1,062,089</u>
Total liabilities and equity	<u>\$ 1,441,680</u>	<u>\$ 1,315,830</u>



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

	Three Months Ended	
	January 29, 2023	January 30, 2022
Cash flows from operating activities:		
Net income	\$ 28,950	\$ 31,726
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	19,105	20,810
Share-based compensation	1,821	1,457
Changes in operating assets, liabilities and other	(22,196)	5,137
Net cash provided by operating activities	<u>27,680</u>	<u>59,130</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(31,097)	(19,175)
Government incentives	1,014	-
Other	(87)	(43)
Net cash used in investing activities	<u>(30,170)</u>	<u>(19,218)</u>
Cash flows from financing activities:		
Repayments of debt	(9,218)	(15,192)
Purchases of treasury stock	-	(2,522)
Contributions from noncontrolling interest	-	14,997
Proceeds from share-based arrangements	672	3,840
Net settlements of restricted stock awards	(1,168)	(1,458)
Net cash used in financing activities	<u>(9,714)</u>	<u>(335)</u>
Effects of exchange rate changes on cash, cash equivalents, and restricted cash	<u>27,499</u>	<u>(2,057)</u>
Net increase in cash, cash equivalents, and restricted cash	15,295	37,520
Cash, cash equivalents, and restricted cash, beginning of period	<u>322,409</u>	<u>279,680</u>
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 337,704</u>	<u>\$ 317,200</u>

**PHOTRONICS, INC.**  
**Reconciliation of GAAP to Non-GAAP Financial Information**  
(in thousands)  
(Unaudited)

	Three Months ended		
	January 29, 2023	October 31, 2022	January 30, 2022
<b>Reconciliation of GAAP to Non-GAAP Net Income:</b>			
GAAP Net Income	\$ 13,986	\$ 37,060	\$ 23,064
FX (gain) loss	16,944	(10,369)	(5,268)
Estimated tax effects of above	(4,506)	2,522	1,337
Estimated noncontrolling interest effects of above	(2,060)	1,990	96
Non-GAAP Net Income	<u>\$ 24,364</u>	<u>\$ 31,203</u>	<u>\$ 19,229</u>
<b>Weighted-average number of common shares outstanding - Diluted</b>	<u>61,470</u>	<u>61,374</u>	<u>60,936</u>
<b>Reconciliation of GAAP to Non-GAAP EPS:</b>			
GAAP diluted earnings per share	\$ 0.23	\$ 0.60	\$ 0.38
Effects of the above adjustments	\$ 0.17	\$ (0.10)	\$ (0.06)
Non-GAAP diluted earnings per share	<u>\$ 0.40</u>	<u>\$ 0.51</u>	<u>\$ 0.32</u>

Note: Totals may differ due to rounding.

**PHOTRONICS, INC.**  
**Reconciliation of GAAP to Non-GAAP Financial Information (cont.)**  
(in thousands)  
(Unaudited)

	Three Months ended		Year ended		Target Model Two-year Horizon
	January 29, 2023	October 31, 2022	October 31, 2021	October 31, 2022	
GAAP Net cash provided by operating activities	\$ 27,680	\$ 275,187	\$ 150,772	\$ 350,000 - 400,000	
Purchases of property, plant and equipment	(31,097)	(112,338)	(109,099)	(100,000)	
Government Incentives	1,014	3,615	5,775	-	
Free Cash Flow	<u>\$ (2,403)</u>	<u>\$ 166,464</u>	<u>\$ 47,448</u>	<u>\$ 250,000 - 300,000</u>	

**Reconciliation of Free Cash flow to LTM Free Cash Flow:**

	Free Cash Flow
Three Months ended January 29, 2023	\$ (2,403)
Year-ended October 31, 2022	166,464
Three Months ended January 30, 2022	(39,955)
LTM January 29, 2023	<u>\$ 124,106</u>

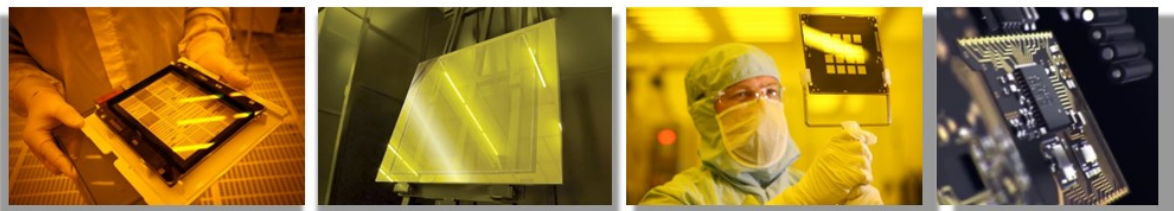
**Reconciliation of Cash and cash equivalents to Net Cash:**

	As of		
	January 29, 2023	October 31, 2022	January 30, 2022
Cash and cash equivalents	\$ 334,792	\$ 319,680	\$ 314,195
Short-term investments	39,199	38,820	-
Current portion of Long-term debt	(6,541)	(10,024)	(18,307)
Long-term Debt	(27,323)	(32,310)	(78,540)
Net Cash	<u>\$ 340,127</u>	<u>\$ 316,166</u>	<u>\$ 217,348</u>



# Photronics, Inc.

Q1 2023 Financial Results Conference Call  
February 22, 2023



# Safe Harbor Statement

This presentation and some of our comments during this presentation 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. We refer you to the documents the Company files from time to time with the Securities and Exchange Commission. These documents contain and identify important factors that could cause the actual results for the Company to differ materially from those contained in our projections or forward-looking statements. These certain factors can be found at [www.photronics.com/riskfactors](http://www.photronics.com/riskfactors). Although we believe that the expectations reflected in the forward-looking statements are reasonable, 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.

# Q1 2023 Summary

Revenue was

**\$211.1M**

+0.4%  
Q/Q

+11%  
Y/Y

IC: +0.2% Q/Q, +21% Y/Y

FPD: +0.8% Q/Q, -9% Y/Y

To China: -10% Q/Q; +18% Y/Y

**\$335M**

Cash  
balance

**\$ 39M**

S-T  
Investments

**\$28M** generated from operating activity

**\$31M** invested in capex

**\$34M** total long-term debt

- Net income attributable to Photronics, Inc. shareholders of \$14.0M (\$0.23/share); non-GAAP net income was \$24.4M (\$0.40/share)
- Investing in mainstream IC capacity to capitalize on market growth trends

Committed to driving long-term, profitable growth through strategic investments

# Investment Strategy

## Revenue Growth

- Win lion's share of the impressive growth in TAM for China IC and FPD
- Supplement capacity with point tool investments and targeted expansions
- Capitalize on technology leadership in AMOLED to continue improving mix
- Leverage global footprint to exploit growth in "legacy foundry" business

## Margin Expansion

- Sustainable pricing strength in high-end and mainstream IC
- Optimize asset tool set to match end-market demand
- Increasing benefit from operating leverage

## Explore Strategic Partnerships

# Delivering on Updated Target Model

<u>\$M (except EPS)</u>	<u>2021</u>	<u>2022</u>	<u>Q1 2023 LTM</u>	<u>Illustrative FY 24 Target Model</u>		
Revenue	\$664	\$825	\$846	\$900	\$950	\$975
Gross Margin	25%	36%	37%	38-40%	40-42%	42-43%
Operating Margin	14%	26%	27%	28-30%	30-32%	32-33%
Operating Cash Flow	\$151	\$275	\$244	\$350-375	\$365-380	\$375-400
Free Cash Flow*	\$47	\$166	\$124	\$250-275	\$235-280	\$275-300
Diluted EPS	\$0.89	\$1.94	\$1.79	\$2.35-2.45	\$2.50-2.55	\$2.60-2.65

\*Free Cash Flow is a non-GAAP term; see reconciliation included in this presentation

2/22/2023

5

# Income Statement Summary

\$M (except EPS)	GAAP			Non-GAAP <sup>1</sup>		
	Q123	Q422	Q122	Q123	Q422	Q122
Revenue	\$ 211.1	\$ 210.3	\$ 189.8	\$ 211.1	\$ 210.3	\$ 189.8
Gross Profit	\$ 76.1	\$ 80.3	\$ 59.9	\$ 76.1	\$ 80.3	\$ 59.9
Gross Margin	36.0%	38.2%	31.5%	36.0%	38.2%	31.5%
Operating Income	\$ 56.0	\$ 60.5	\$ 38.2	\$ 56.0	\$ 60.5	\$ 38.2
Operating Margin	26.5%	28.8%	20.1%	26.5%	28.8%	20.1%
Non-operating income	(\$ 14.4)	\$ 10.8	\$ 4.7	\$ 2.5	\$ 0.4	(\$ 0.6)
Income tax provision	\$ 12.6	\$ 16.1	\$ 11.2	\$ 8.1	\$ 18.6	\$ 12.5
Minority interest	\$ 15.0	\$ 18.2	\$ 8.7	\$ 12.9	\$ 20.2	\$ 8.8
Net income <sup>2</sup>	\$ 14.0	\$ 37.1	\$ 23.1	\$ 24.4	\$ 31.2	\$ 19.2
Diluted EPS <sup>2</sup>	\$ 0.23	\$ 0.60	\$ 0.38	\$ 0.40	\$ 0.51	\$ 0.32
Days in quarter	90	92	91	90	92	91

<sup>1</sup>See reconciliation included in this presentation <sup>2</sup>Net income attributable to Photronics, Inc. shareholders

2/22/2023

- Margins decreased Q/Q due to unfavorable mix
- GAAP Non-operating income primarily consists of unrealized FX gain/loss resulting in \$25M headwind Q/Q
- Minority interest from strong net income of IC JVs in Taiwan and China as Asian demand remains strong
- Non-GAAP presentation removes effect of foreign exchange gain/loss



# IC Photomask Revenue

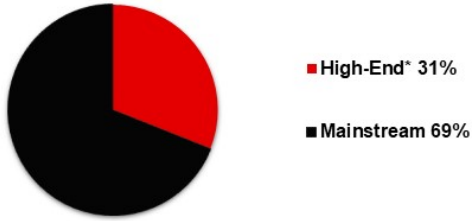
\$M	Q123	Q422	Q/Q	Q122	Y/Y
High-End*	\$ 48.0	\$ 44.3	8%	\$ 46.5	2%
Mainstream	<u>\$ 108.6</u>	<u>\$ 111.9</u>	(3%)	<u>\$ 83.2</u>	<u>31%</u>
Total	\$ 156.6	\$ 156.2	0.2%	\$129.8	21%

\*28nm and smaller

Note: Totals may differ due to rounding

- High-end increased Q/Q on higher foundry/logic demand in Asia
- Softer mainstream demand on typical seasonality
- Outlook
  - New designs by customers to gain market share and support technology roadmap
  - Regionalization driving investments for global chip capacity
  - Expanding ASPs on positive supply/demand balance

Q123 Revenue by Technology



2/22/2023

# FPD Photomask Revenue

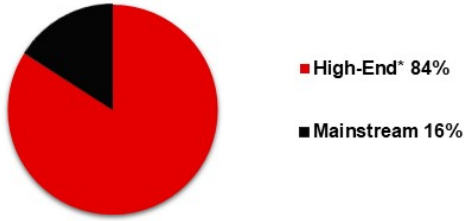
\$M	Q123	Q422	Q/Q	Q122	Y/Y
High-End*	\$ 45.7	\$ 43.4	5%	\$ 46.3	(1%)
Mainstream	\$ 8.8	\$ 10.6	(17%)	\$ 13.8	(36%)
Total	\$ 54.5	\$ 54.1	1%	\$ 60.1	(9%)

\*≥G10.5, AMOLED and LTPS

Note: Totals may differ due to rounding.

- High-end grew Q/Q as G10.5+ improved and mobile display grew
- Mainstream down sequentially as we dedicated capacity to high-end
- Outlook
  - Mobile demand should continue strong with rollout of new designs
  - Technology development drives demand for higher-value masks

Q123 Revenue by Technology



2/22/2023

## Select Financial Data

<u>\$M</u>	<u>Q123</u>	<u>Q422</u>	<u>Q122</u>
Cash	\$ 374	\$ 359	\$ 314
Debt	\$ 34	\$ 42	\$ 97
Net Cash*	\$ 340	\$ 316	\$ 217
Operating Cash Flow	\$ 28	\$ 79	\$ 59
Capital Expenditures	\$ 31	\$ 66	\$ 19

\*Net cash defined is a non-GAAP term; see reconciliation included in this presentation

2/22/2023

- Cash includes cash equivalents and short-term investments
- Debt primarily comprised of US equipment leases and local China loans
- Capex targeting growth in mainstream IC capacity & facility expansion
- Balance sheet able to fund investments, share repurchases, and strategic opportunities

## Q2 2023 Guidance

---

<b>Revenue (\$M)</b>	\$205 - \$215
<b>Operating Margin</b>	25% - 28%
<b>Taxes (\$M)</b>	\$12 - \$15
<b>Diluted non-GAAP EPS</b>	\$0.38 - \$0.48
<b>Diluted Shares (M)</b>	~61
<b>Full-year Capex (M)</b>	~\$130

---

- Incorporation of chips in IoT, 5G, Crypto and consumer products
  - New designs to capture market share
  - Advanced display technologies
  - Growing nationalism spurs regional investments in capacity
- Outlook clouded by geopolitical uncertainty, macro-economic headwinds and supply chain challenges
- Driving margin expansion and cash flows to achieve long-term target model

# Thank you for your interest!

For Additional Information:

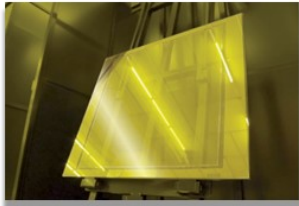
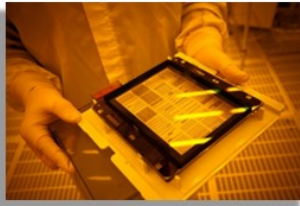
Please contact

John P. Jordan

Executive Vice President & CFO

203.740.5671

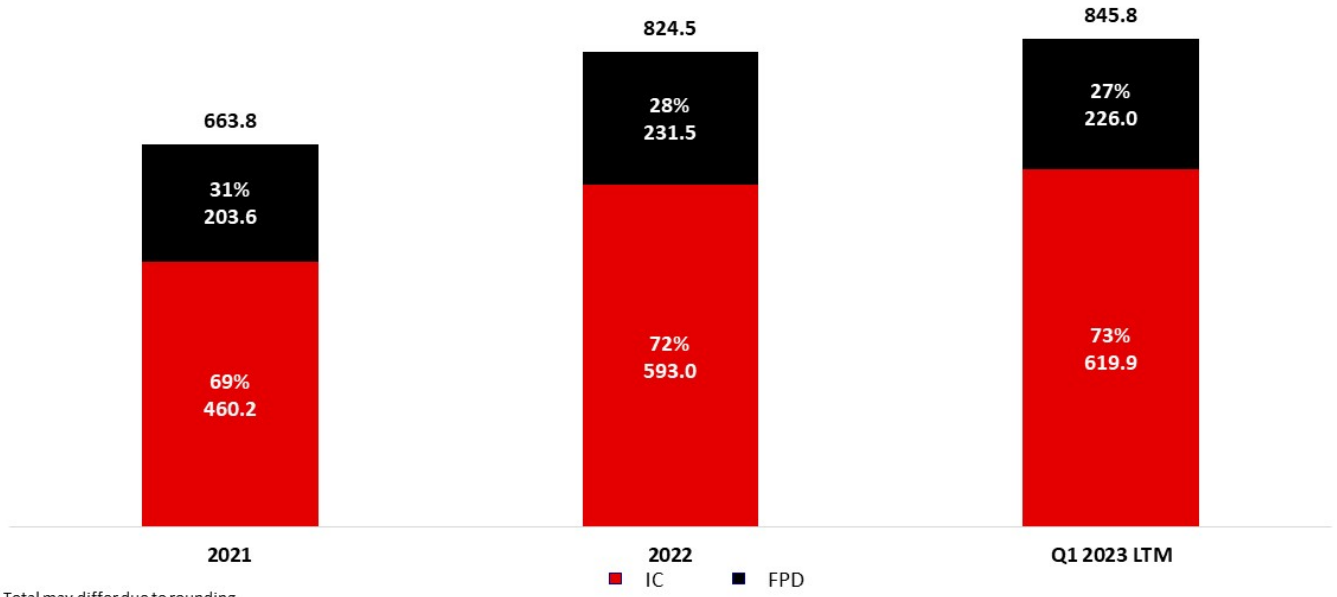
[jjordan@photonics.com](mailto:jjordan@photonics.com)



# Appendix

---

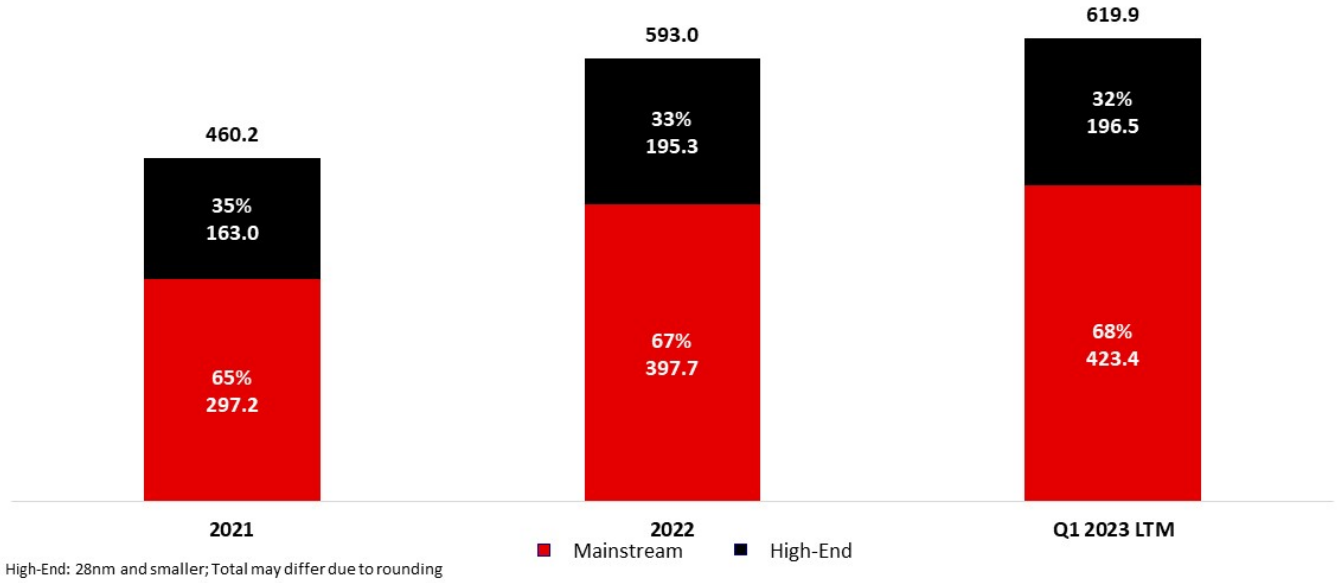
# Total Revenue (\$M)



Total may differ due to rounding

2/22/2023

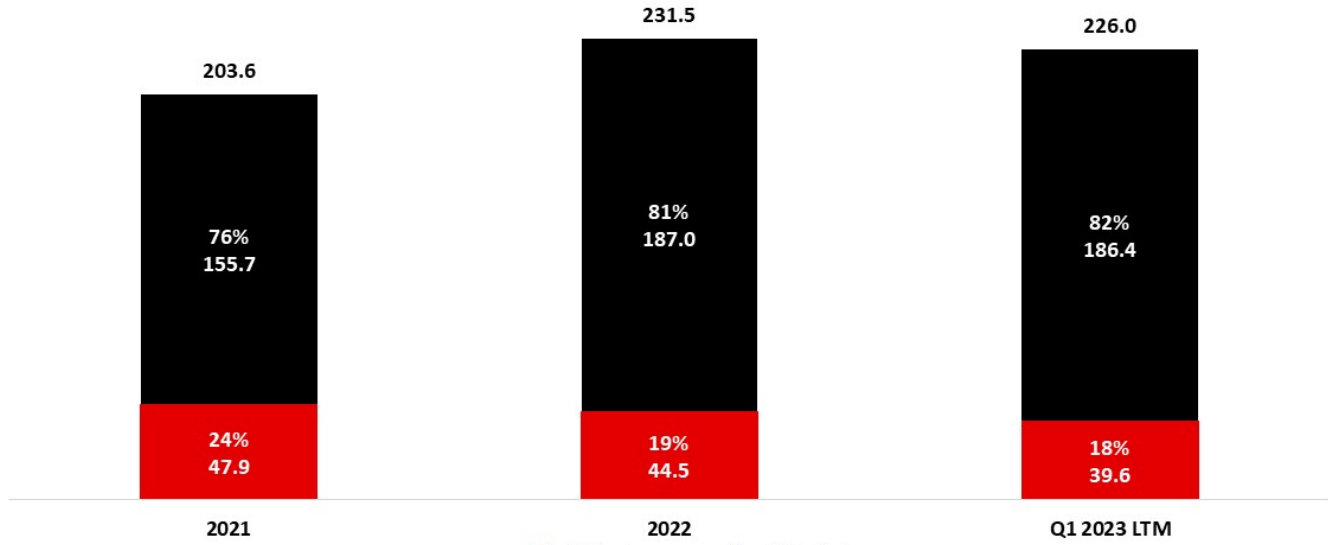
# IC Photomask Revenue (\$M)



2/22/2023



# FPD Photomask Revenue (\$M)



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

■ Mainstream ■ High-End

## Non-GAAP Financial Measures

Non-GAAP Net Income attributable to Photronics, Inc. shareholders and non-GAAP earnings per share, Free Cash Flow, LTM Free Cash Flow, and Net Cash are "non-GAAP financial measures" as such term is defined by the Securities and Exchange Commission, and may differ from similarly named non-GAAP financial measures used by other companies. The attached financial supplement reconciles Photronics, Inc. financial results under GAAP to non-GAAP financial information. We believe these non-GAAP financial measures that exclude certain items are useful for analysts and investors to evaluate our future on-going performance because they enable a more meaningful comparison of our projected performance with our historical results. These non-GAAP metrics are not intended to represent funds available for our discretionary use and are not intended to represent, or be used as a substitute for, gross profit, operating income, net income, cash and cash equivalents, or cash flows from operations, 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 balance sheets and statement of cash flows and must be considered in performing a comprehensive assessment of overall financial performance. Please refer to the non-GAAP reconciliations on the following page.

# Non-GAAP Financial Measures

**PHOTRONICS, INC.**  
**Reconciliation of GAAP to Non-GAAP Financial Information**  
(in thousands)  
(Unaudited)

	Three Months ended		
	January 29, 2023	October 31, 2022	January 30, 2022
<b>Reconciliation of GAAP to Non-GAAP Net Income:</b>			
GAAP Net Income	\$ 13,986	\$ 37,060	\$ 23,064
FX (gain) loss	16,944	(10,369)	(5,268)
Estimated tax effects of above	(4,506)	2,522	1,337
Estimated noncontrolling interest effects of above	(2,060)	1,990	96
Non-GAAP Net Income	\$ 24,364	\$ 31,203	\$ 19,229
<b>Weighted-average number of common shares outstanding - Diluted</b>	<b>61,470</b>	<b>61,374</b>	<b>60,936</b>
<b>Reconciliation of GAAP to Non-GAAP EPS:</b>			
GAAP diluted earnings per share	\$ 0.23	\$ 0.60	\$ 0.38
Effects of the above adjustments	\$ 0.17	\$ (0.10)	\$ (0.06)
Non-GAAP diluted earnings per share	\$ 0.40	\$ 0.51	\$ 0.32

Note: Totals may differ due to rounding

# Non-GAAP Financial Measures

## PHOTRONICS, INC.

### Reconciliation of GAAP to Non-GAAP Financial Information (cont.)

(in thousands)

(Unaudited)

#### Reconciliation of Net cash provided by operating activities to Free Cash Flow

	Three Months ended	Year ended		
	January 29, 2023	October 31, 2022	October 31, 2021	Target Model Two-year Horizon
GAAP Net cash provided by operating activities	\$ 27,680	\$ 275,187	\$ 150,772	\$ 350,000 - 400,000
Purchases of property, plant and equipment	(31,097)	(112,338)	(109,099)	(100,000)
Government Incentives	1,014	3,615	5,775	-
Free Cash Flow	<u>\$ (2,403)</u>	<u>\$ 166,464</u>	<u>\$ 47,448</u>	<u>\$ 250,000 - 300,000</u>

#### Reconciliation of Free Cash flow to LTM Free Cash Flow:

	Free Cash Flow
Three Months ended January 29, 2023	\$ (2,403)
Year-ended October 31, 2022	166,464
Three Months ended January 30, 2022	(39,955)
LTM January 29, 2023	<u>\$ 124,106</u>

#### Reconciliation of Cash and cash equivalents to Net Cash:

	As of		
	January 29, 2023	October 31, 2022	January 30, 2022
Cash and cash equivalents	\$ 334,792	\$ 319,680	\$ 314,195
Short-term investments	39,199	38,820	-
Current portion of Long-term debt	(6,541)	(10,024)	(18,307)
Long-term Debt	(27,323)	(32,310)	(78,540)
Net Cash	<u>\$ 340,127</u>	<u>\$ 316,166</u>	<u>\$ 217,348</u>

2/22/2023

18