

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)

May 25, 2022

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 May 25, 2022, Photonics, Inc. (the “Company”) issued a press release reporting second quarter fiscal 2022 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.

On May 25, 2022, 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 May 1, 2022 may be disclosed. This information is set forth in Exhibit 99.5.

Item 9.01. Financial Statements and Exhibits.

(d)

Exhibits

[99.1](#) Press Release dated May 25, 2022.

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

[99.3](#) Condensed Consolidated Balance Sheets.

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

[99.5](#) Photonics Q2 2022 Financial Results Conference Call May 25, 2022 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: May 25, 2022

**For Further Information:**

John P. Jordan
Executive Vice President & CFO
203.740.5671
jjordan@photronics.com

Photronics Reports Second Quarter Fiscal 2022 Results and Updates Long-Term Target Model

BROOKFIELD, Conn. May 25, 2022 (GLOBE NEWSWIRE) — Photronics, Inc. (NASDAQ:PLAB), a worldwide leader in photomask technologies and solutions, today reported financial results for its fiscal 2022 second quarter ended May 1, 2022.

“Second quarter was another excellent quarter, as strong end-market demand and higher pricing across both mainstream and high-end IC products propelled us to our fifth consecutive quarter of record revenue,” said Frank Lee, chief executive officer. “As revenue grew, our operating leverage and disciplined cost management expanded gross and operating margins to 36% and 25%, respectively. Our balance sheet continues to strengthen and support our growth strategy of investing to align our operations and technology to serve the strongest sectors of the market. We expect favorable demand trends to continue for advanced mobile displays, high-end logic devices and mainstream IC applications as our customers release new designs and build out new capacity.”

Second Quarter 2022 Results

- Revenue was \$204.5 million, up 8% sequentially and 28% year-over-year
- Net income attributable to Photronics, Inc. shareholders was \$29.8 million (\$0.49 per diluted share), up 29% over first quarter 2022 net income of \$23.1 million (\$0.38 per diluted share) and nearly triple the second quarter 2021 net income of \$10.5 million (\$0.17 per diluted share)
- Integrated circuit (IC) revenue in the second quarter was \$145.8 million, up 12% sequentially and 30% compared with the second quarter of last year
- Flat panel display (FPD) revenue was \$58.7 million, down 2% from last quarter and up 23% over the same period last year

Lee continued, “As I begin my tenure as CEO, Photronics is in a very strong place with a strong global team, leading technology, quality products, and growing market share. We expect to continue to grow sequentially throughout 2022. In fact, market dynamics and Photronics execution have again driven profitability levels that propelled the Company well beyond the projections in the target model we provided just last quarter.” Lee concluded, “Significant indicators from the market and other market participants are that these conditions will continue well into the future. We have therefore included an updated target model in the supplemental information issued in connection with our conference call later today.”

Third Quarter 2022 Guidance

For the third quarter of 2022, Photronics expects revenue to be between \$205 million and \$215 million, and net income attributable to Photronics, Inc. shareholders to be between \$0.45 and \$0.55 per diluted share.

Conference Call

A conference call to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, May 25, 2022. 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			Six Months Ended	
	May 1, 2022	January 30, 2022	May 2, 2021	May 1, 2022	May 2, 2021
Revenue	\$ 204,509	\$ 189,827	\$ 159,763	\$ 394,336	\$ 311,830
Cost of goods sold	131,582	129,964	120,514	261,546	242,052
Gross Profit	72,927	59,863	39,249	132,790	69,778
Operating Expenses:					
Selling, general and administrative	16,613	15,727	14,067	32,340	28,120
Research and development	4,206	5,939	4,375	10,145	9,085
Total Operating Expenses	20,819	21,666	18,442	42,485	37,205
Operating Income	52,108	38,197	20,807	90,305	32,573
Non-operating income (expense), net	8,021	4,707	(772)	12,728	(92)
Income Before Income Tax Provision	60,129	42,904	20,035	103,033	32,481
Income tax provision	14,689	11,178	3,714	25,867	6,651
Net Income	45,440	31,726	16,321	77,166	25,830
Net income attributable to noncontrolling interests	15,597	8,662	5,795	24,259	7,268
Net income attributable to Photronics, Inc. shareholders	\$ 29,843	\$ 23,064	\$ 10,526	\$ 52,907	\$ 18,562
Earnings per share:					
Basic	\$ 0.49	\$ 0.38	\$ 0.17	\$ 0.88	\$ 0.30
Diluted	\$ 0.49	\$ 0.38	\$ 0.17	\$ 0.87	\$ 0.30
Weighted-average number of common shares outstanding:					
Basic	60,606	60,158	62,054	60,382	62,265
Diluted	61,145	60,936	62,568	61,041	62,786

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

	May 1, 2022	October 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 329,282	\$ 276,670
Accounts receivable	190,259	174,447
Inventories	58,437	55,249
Other current assets	52,864	44,250
Total current assets	630,842	550,616
Property, plant and equipment, net	659,881	696,553
Other assets	41,661	47,033
Total assets	<u>\$ 1,332,384</u>	<u>\$ 1,294,202</u>
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	\$ 12,410	\$ 22,248
Accounts payable and accrued liabilities	172,205	153,900
Total current liabilities	184,615	176,148
Long-term debt	70,138	89,446
Other liabilities	25,048	28,046
Photronics, Inc. shareholders' equity	836,752	823,692
Noncontrolling interests	215,831	176,870
Total equity	1,052,583	1,000,562
Total liabilities and equity	<u>\$ 1,332,384</u>	<u>\$ 1,294,202</u>

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

	Six Months Ended	
	May 1, 2022	May 2, 2021
Cash flows from operating activities:		
Net income	\$ 77,166	\$ 25,830
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	41,405	47,121
Share-based compensation	3,041	2,723
Changes in operating assets, liabilities and other	(18,323)	(17,455)
Net cash provided by operating activities	<u>103,289</u>	<u>58,219</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(34,809)	(73,516)
Government incentives	1,394	5,775
Other	(199)	(157)
Net cash used in investing activities	<u>(33,614)</u>	<u>(67,898)</u>
Cash flows from financing activities:		
Repayments of debt	(27,571)	(8,636)
Purchases of treasury stock	(2,522)	(23,250)
Contribution from noncontrolling interest	24,995	-
Proceeds from share-based arrangements	4,384	1,180
Proceeds from long-term debt	-	12,439
Net settlements of restricted stock awards	(1,452)	(371)
Net cash used in financing activities	<u>(2,166)</u>	<u>(18,638)</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	<u>(14,917)</u>	<u>5,686</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	52,592	(22,631)
Cash, cash equivalents, and restricted cash, beginning of period	<u>279,680</u>	<u>281,602</u>
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 332,272</u>	<u>\$ 258,971</u>



Photronics, Inc.

Q2 2022 Financial Results Conference Call

May 25, 2022



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.

Q2 2022 Summary

Revenue
was a record

\$204.5M



IC: +12% Q/Q, +30% Y/Y

FPD: -2% Q/Q, +23% Y/Y

To China: +8% Q/Q; +58% Y/Y

\$329M

Cash
balance

\$44M generated from operating activity

\$16M invested in capex

\$10M contribution from JV partner

- Net income attributable to Photronics, Inc. shareholders of \$29.8M (\$0.49/share)
- Appointment of Frank Lee as CEO; 42+ years industry experience; 16+ years with PLAB
- 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 "Made in China 2025" TAM growth
- Supplement new factories with point tool investments
- Capitalize on technology leadership in AMOLED to continue improving mix
- Leverage global footprint to exploit growth in "legacy foundry" business

Margin Expansion

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

Explore Strategic Partnerships

- Targeting partnerships that extend market leadership position
- Building on successful history of M&A and joint ventures

5/25/2022

Delivering on Updated Target Model

	2020	2021	Q2 2022 LTM	Q2 2022 YTD	Illustrative Target Model - 2-Year Horizon Range of Expected Outcomes for FY 2024		
Revenue	\$610	\$664	\$746	\$394	\$900	\$950	\$975
Gross Margin	22%	25%	31%	34%	38-40%	40-42%	42-43%
Operating Margin	10%	14%	20%	23%	28-30%	30-32%	32-33%
Operating Cash Flow	\$143	\$151	\$196	\$103	\$350-375	\$365-380	\$375-400
Free Cash Flow	\$77	\$47	\$127	\$68	\$250-275	\$265-280	\$275-300
EPS	\$ 0.52	\$ 0.89	\$1.47	\$0.87	\$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
5/25/2022

Income Statement Summary

\$M (except EPS)	Q222	Q122	Q/Q	Q221	Y/Y
Revenue	\$ 204.5	\$ 189.8	8%	\$ 159.8	28%
Gross Profit	\$ 72.9	\$ 59.9	22%	\$ 39.2	86%
Gross Margin	35.7%	31.5%	420 bps	24.6%	1,110 bps
Operating Income	\$ 52.1	\$ 38.2	36%	\$ 20.8	150%
Operating Margin	25.5%	20.1%	540 bps	13.0%	1,250 bps
Other non-operating income (expense)	\$ 8.0	\$ 4.7	\$ 3.3	(\$ 0.8)	\$ 8.8
Income tax provision	\$ 14.7	\$ 11.2	\$ 3.5	\$ 3.7	\$ 11.0
Minority interest	\$ 15.6	\$ 8.7	\$ 6.9	\$ 5.8	\$ 9.8
Net income*	\$ 29.8	\$ 23.1	29%	\$ 10.5	184%
Diluted EPS*	\$ 0.49	\$ 0.38	\$ 0.11	\$ 0.17	\$ 0.32
Days in quarter	91	91	-	91	-

*Net income attributable to Photonics, Inc. shareholders
5/25/2022

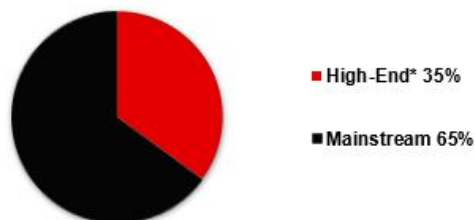
- Margins improved on operating leverage, disciplined cost management, and IC price realization
- Other non-operating income/expense primarily due to unrealized FX gain/loss
- Minority interest from IC JVs in Taiwan and China

IC Photomask Revenue

\$M	Q222	Q122	Q/Q	Q221	Y/Y
High-End*	\$ 51.4	\$ 46.5	10%	\$ 41.3	24%
Mainstream	\$ 94.4	\$ 83.2	13%	\$ 70.7	34%
Total	\$ 145.8	\$ 129.8	12%	\$ 112.0	30%

Total may differ due to rounding

Q222 Revenue by Technology



*28nm and smaller
5/25/2022

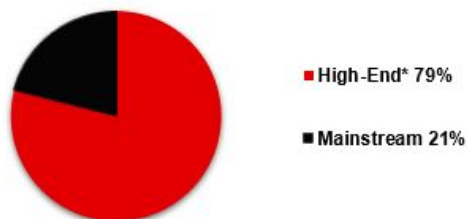
- High-end growth driven by strong demand in Asia and US and higher price
- Continued mainstream growth from chip proliferation in consumer products, IoT, 5G, and Crypto supporting higher ASPs
- Outlook
 - Continued strength from remote work and education
 - Regionalization driving investments for global chip capacity
 - Mainstream demand strong, expanding ASPs

FPD Photomask Revenue

\$M	Q222	Q122	Q/Q	Q221	Y/Y
High-End*	\$ 46.6	\$ 46.3	1%	\$ 39.4	18%
Mainstream	\$ 12.1	\$ 13.8	(12%)	\$ 8.4	45%
Total	\$ 58.7	\$ 60.1	(2%)	\$ 47.8	23%

Total may differ due to rounding

Q222 Revenue by Technology



*≥G10.5, AMOLED and LTPS
5/25/2022

- High-end demand up Q/Q as mobile growth offset soft G10.5+
- Mainstream demand remains solid, with Q/Q decline associated with Chinese New Year holiday
- Outlook
 - Dynamic market environment
 - Mobile demand strength and mainstream LCD recovery expected to continue
 - Technology development drives demand for higher-value masks

Select Financial Data

\$M	Q222	Q122	Q221
Cash	\$ 329	\$ 314	\$ 256
Debt	\$ 83	\$ 97	\$ 114
Net Cash*	\$ 247	\$ 217	\$ 142
Operating Cash Flow	\$ 44	\$ 59	\$ 32
Capital Expenditures	\$ 16	\$ 19	\$ 56
Share repurchase	-	\$ 3	\$ 10

*Net cash defined is a non-GAAP term; see reconciliation included in this presentation
5/25/2022

- Debt is US equipment lease and local China loans; reduced debt \$29M YTD
- Capex mostly mainstream IC capacity & facility expansion
- Balance sheet able to fund investments, share repurchases, and strategic M&A opportunities
- Total share repurchases of \$68M under current (Sep 2020) \$100M plan

Q3 2022 Guidance

Revenue (\$M)	\$205 - \$215
Operating Margin	27% - 29%
Taxes (\$M)	\$13 - \$15
Diluted EPS	\$0.45 - \$0.55
Diluted Shares (M)	~61
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, rising inflation and supply chain challenges
- Driving margin expansion and improved cash flows to hit long-term target model

Thank you for your interest!

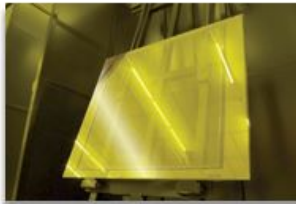
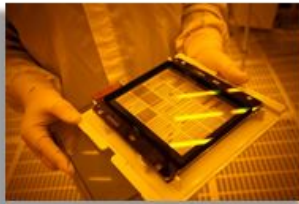
For Additional Information:

John P. Jordan

Executive Vice President & CFO

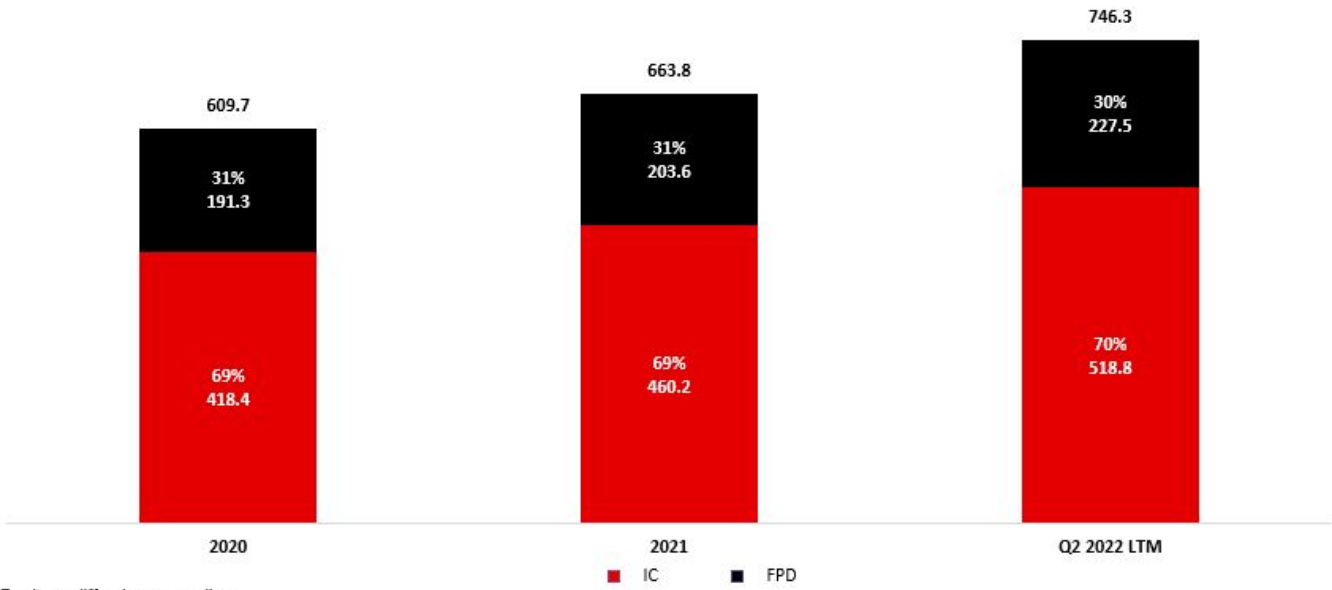
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Appendix

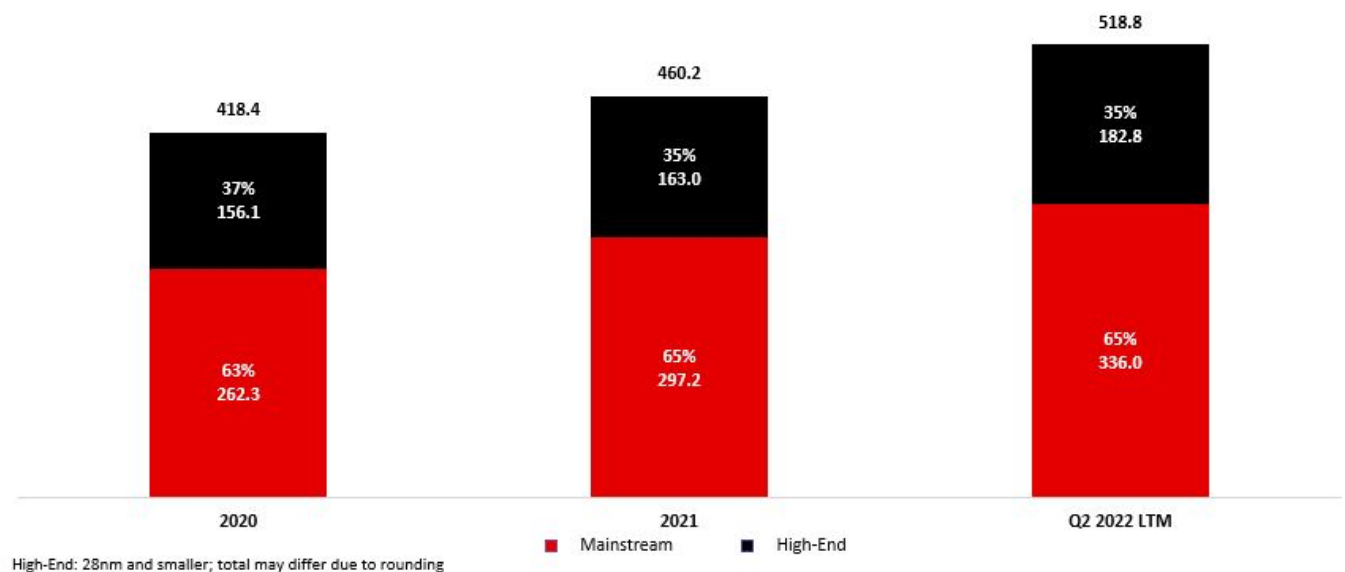
Total Revenue



Total may differ due to rounding

5/25/2022

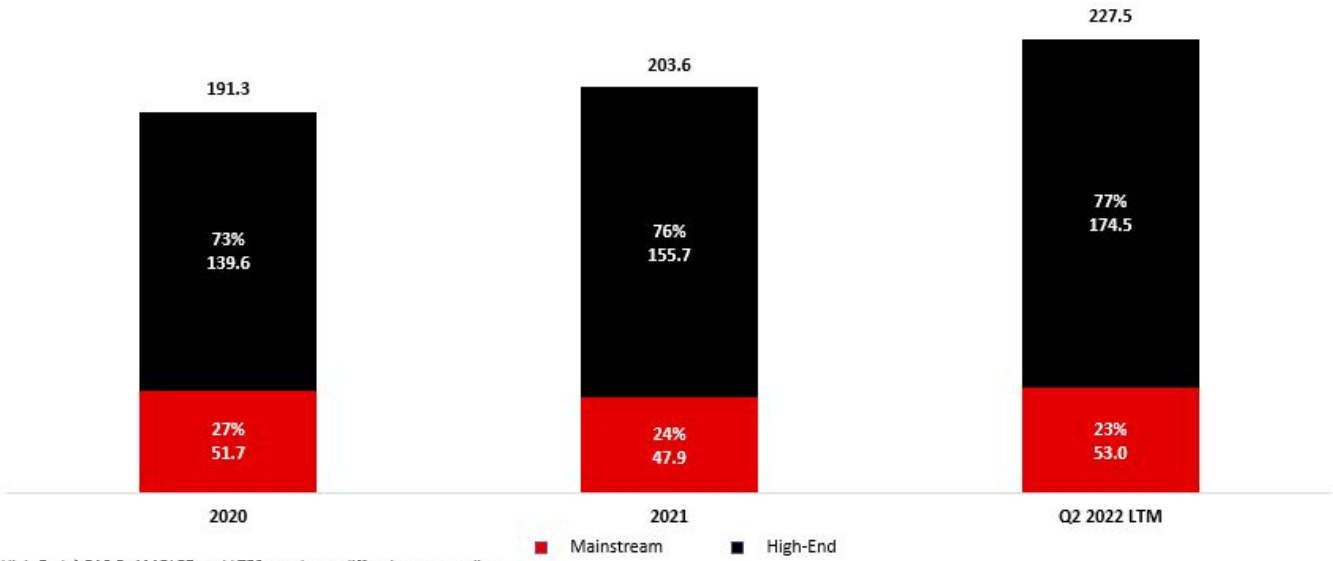
IC Photomask Revenue



5/25/2022

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FPD Photomask Revenue



Non-GAAP Financial Measures

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, 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

Reconciliation of GAAP to Non-GAAP Financial Information

(in thousands)

(Unaudited)

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

	Six Months ended		Year ended		Target Model Two-year Horizon
	May 1, 2022	October 31, 2021	October 31, 2020	October 31, 2019	
GAAP Net cash provided by operating activities	\$ 103,289	\$ 150,772	\$ 143,046	\$ 68,386	\$ 350,000 - 400,000
Purchases of property, plant and equipment	(34,809)	(109,099)	(70,815)	(178,375)	(100,000)
Government Incentives	1,394	5,775	5,263	27,003	-
Free Cash Flow	\$ 69,874	\$ 47,448	\$ 77,494	\$ (82,986)	\$ 250,000 - 300,000

Reconciliation of Free Cash flow to LTM Free Cash Flow:

	Free Cash Flow
Six Months ended May 1, 2022	\$ 69,874
Year-ended October 31, 2021	47,448
Six Months ended May 2, 2021	9,523
LTM May 1, 2022	\$ 126,845

Reconciliation of Cash and cash equivalents to Net Cash:

	As of		
	May 1, 2022	October 31, 2021	May 2, 2021
Cash and cash equivalents	\$ 329,282	\$ 276,670	\$ 255,965
Current portion of Long-term debt	(12,410)	(22,248)	(25,657)
Long-term Debt	(70,138)	(89,446)	(88,444)
Net Cash	\$ 246,734	\$ 164,976	\$ 141,864

5/25/2022

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