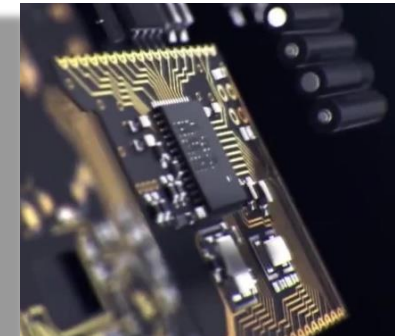
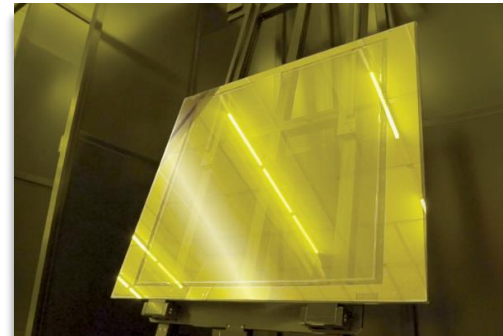
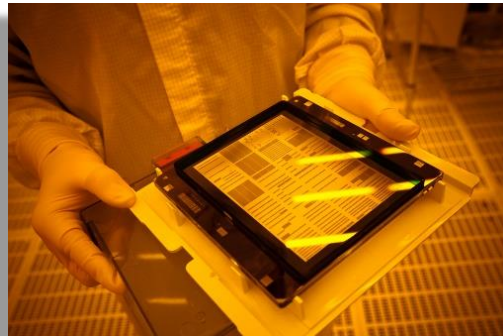


# Photronics, Inc.

Q1 2022 Financial Results Conference Call  
February 23, 2022

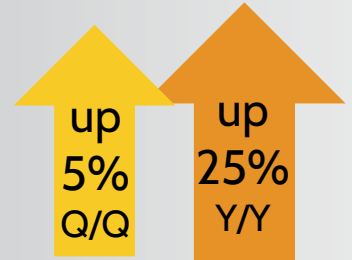


# Safe Harbor Statement

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.photonics.com/riskfactors](http://www.photonics.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 2022 Summary

Revenue  
was a record  
**\$189.8M**



IC (+3% Q/Q, +24% Y/Y) and  
FPD (+8% Q/Q, +27% Y/Y)  
both achieved record revenue

Record revenue to China,  
up 6% Q/Q and 69% Y/Y

**\$314M**

Cash  
balance

\$59M generated from operating activity

\$19M invested in capex

\$3M returned to investors through share  
repurchases

- Net income attributable to Photronics, Inc. shareholders of \$23.1M (\$0.38/share)
- Updating long-term target model based upon improving performance and positive demand outlook
- Investing in mainstream IC capacity to capitalize on market growth trends

Strategic investments driving long-term, profitable growth

# 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

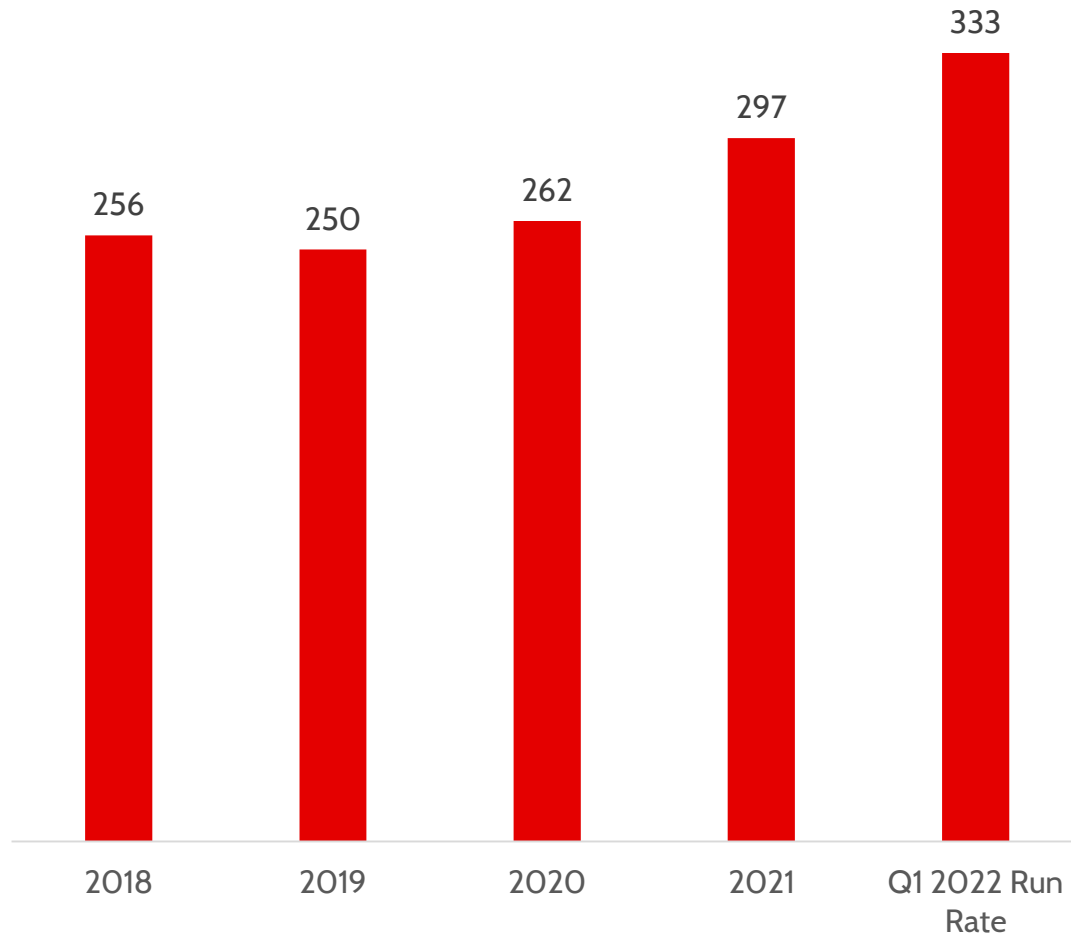
- Sustained pricing strength in mainstream IC going into 2022
- Optimize asset tool set to match end-market demand
- Increasing benefit from operating leverage

## Explore Strategic Partnerships

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

# Growth in Legacy Foundry = Dynamic Mainstream Mask Market

IC Mainstream Revenue (\$M)



- Rebirth of the ASIC mask market
  - Moore's law inefficient for many applications
  - Mask intensity higher than over-all semiconductor market
- Industry demand exceeds supply
  - Delivery times expanding from days to months
  - We are investing in incremental capacity to meet customer demand
- Low industry capacity creating pricing leverage
  - Double digit increases implemented in Taiwan and China
  - Actively raising prices in Europe and Korea

# Delivering on Commitments and Updating Target Model

<u>\$M (except EPS)</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Q1 2022 LTM</u>	<u>Illustrative Target Model 2-Year Horizon</u>		
Revenue	\$551	\$610	\$664	\$702	\$775 9% CAGR	\$800 10% CAGR	\$850 11% CAGR
Gross Margin	22%	22%	25%	28%	31-33%	32-34%	34-36%
Operating Margin	9%	10%	14%	17%	20-22%	22-24%	24-26%
Operating Cash Flow	\$68	\$143	\$151	\$184	\$225-250	\$260-275	\$290-300
Free Cash Flow*	(\$83)	\$77	\$47	\$78	\$125-150	\$160-175	\$190-200
Diluted EPS	\$0.44	\$0.52	\$0.89	\$1.14	\$1.40-1.45	\$1.55-1.65	\$1.90- 2.00

\*Free Cash Flow is a non-GAAP term which represents Operating Cash Flow less Capital Expenditures, which are reported under GAAP

2/23/2022

# Income Statement Summary

\$M (except EPS)	Q122	Q421	Q/Q	Q121	Y/Y
Revenue	\$ 189.8	\$ 181.3	5%	\$ 152.1	25%
Gross Profit	\$ 59.9	\$ 51.9	15%	\$ 30.5	96%
Gross Margin	31.5%	28.7%	280 bps	20.1%	1,140 bps
Operating Income	\$ 38.2	\$ 33.5	14%	\$ 11.8	225%
Operating Margin	20.1%	18.5%	160 bps	7.7%	1,240 bps
Other non-operating income (expense)	\$ 4.7	\$ 3.8	\$ 0.9	\$ 0.7	\$ 4.0
Income tax provision	\$ 11.2	\$ 8.7	\$ 2.5	\$ 2.9	\$ 8.2
Minority interest	\$ 8.7	\$ 8.8	(\$ 0.2)	\$ 1.5	\$ 7.2
Net income*	\$ 23.1	\$ 19.8	16%	\$ 8.0	187%
Diluted EPS*	\$ 0.38	\$ 0.33	\$ 0.05	\$ 0.13	\$ 0.25
Days in quarter	91	91	-	92	(1)

- Margins improved on leverage from higher revenue (IC & FPD) and better mainstream IC pricing
- Other non-operating income (expense) primarily due to FX gain (loss)
- Minority interest is IC JVs in Taiwan and China

\*Net income attributable to Photronics, Inc. shareholders

2/23/2022

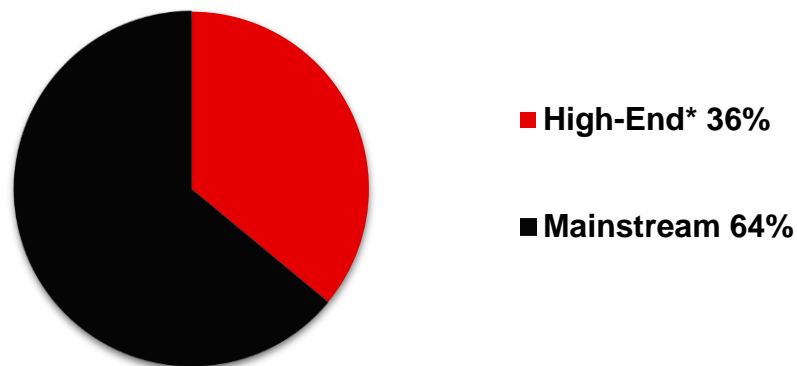
# IC Photomask Revenue

\$M	Q122	Q421	Q/Q	Q121	Y/Y
High-End*	\$ 46.5	\$ 42.6	9%	\$ 36.8	27%
Mainstream	\$ 83.2	\$ 82.9	1%	\$ 68.2	22%
Total	\$ 129.8	\$ 125.4	3%	\$ 105.0	24%

Total may differ due to rounding

- High-end growth driven by strong logic demand in Asia
- Mainstream up on proliferation of chips in IoT, 5G, Crypto and consumer products creating support for higher ASPs
- Outlook
  - Continued strength from remote work and education
  - Mainstream demand strong, expanding ASPs
  - New capacity coming online end of Q2

Q122 Revenue by Technology



\*28nm and smaller  
2/23/2022



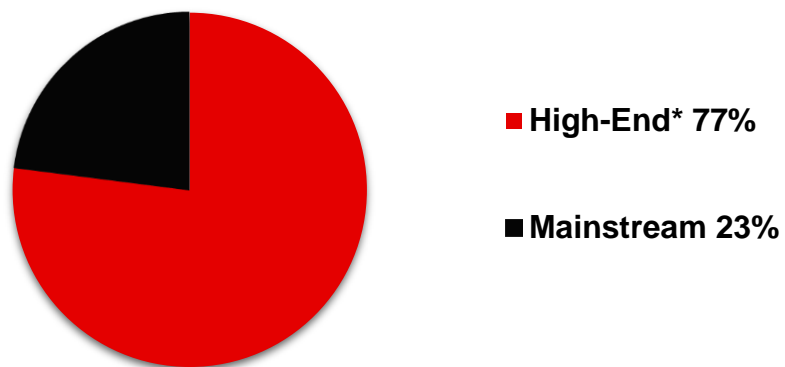
# FPD Photomask Revenue

\$M	Q122	Q421	Q/Q	Q121	Y/Y
High-End*	\$ 46.3	\$ 41.0	13%	\$ 34.6	34%
Mainstream	\$ 13.8	\$ 14.9	(7%)	\$ 12.5	11%
Total	\$ 60.1	\$ 55.8	8%	\$ 47.1	27%

Total may differ due to rounding

- High-end demand improving for mobile AMOLED and G10.5+
- Mainstream recovery continues, with slight Q/Q decline due to capacity dedicated to high-end products
- Outlook
  - Dynamic market environment
  - Mobile demand strength and mainstream LCD recovery expected to continue
  - Technology development drives demand for higher-value masks

Q122 Revenue by Technology



\*≥G10.5, AMOLED and LTPS

# Select Financial Data

<u>\$M</u>	<u>Q122</u>	<u>Q421</u>	<u>Q121</u>
Cash	\$ 314	\$ 277	\$ 279
Debt	\$ 97	\$ 112	\$ 102
Net Cash*	\$ 217	\$ 165	\$ 177
Operating Cash Flow	\$ 59	\$ 38	\$ 26
Capital Expenditures	\$ 19	\$ 17	\$ 18
Share repurchase	\$ 3	\$ 13	\$ 13

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

\*Net cash defined as cash and cash equivalents less long-term borrowings (including current portion), as reported in accordance with GAAP

# Q2 22 Guidance

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<b>Revenue (\$M)</b>	\$188 - \$196
<b>Operating Margin</b>	20% - 22%
<b>Taxes (\$M)</b>	\$9 - \$10
<b>Diluted EPS</b>	\$0.32 - \$0.38
<b>Diluted Shares (M)</b>	~61
<b>Full-year Capex (M)</b>	~\$100

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

# Thank you for your interest!

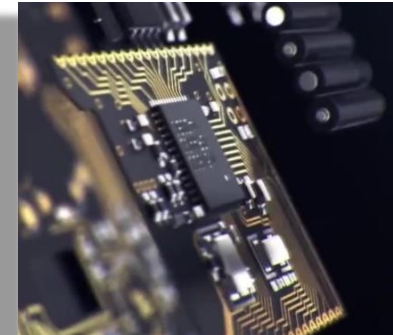
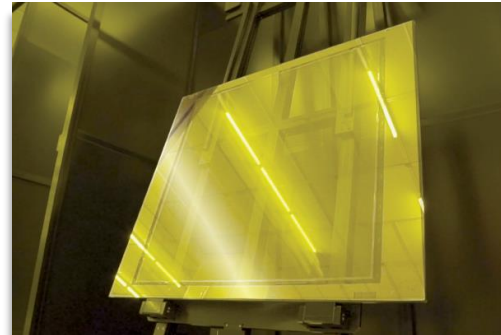
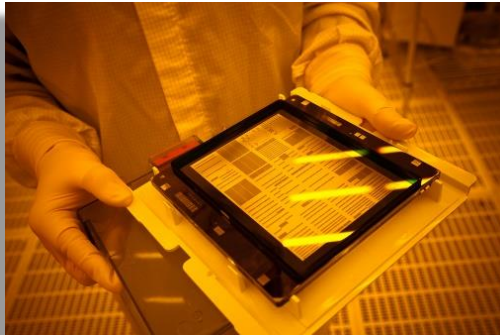
For Additional Information:

John P. Jordan

Executive Vice President & CFO

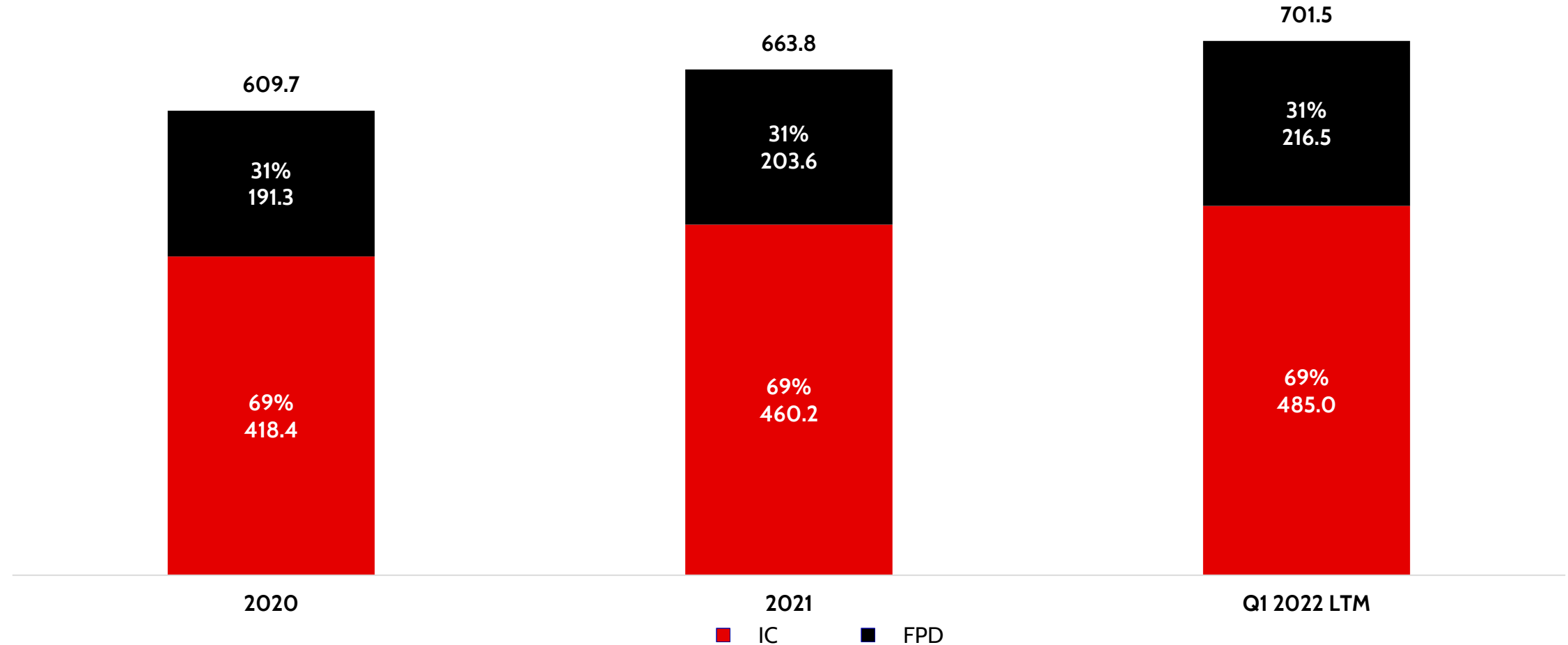
203.740.5671

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



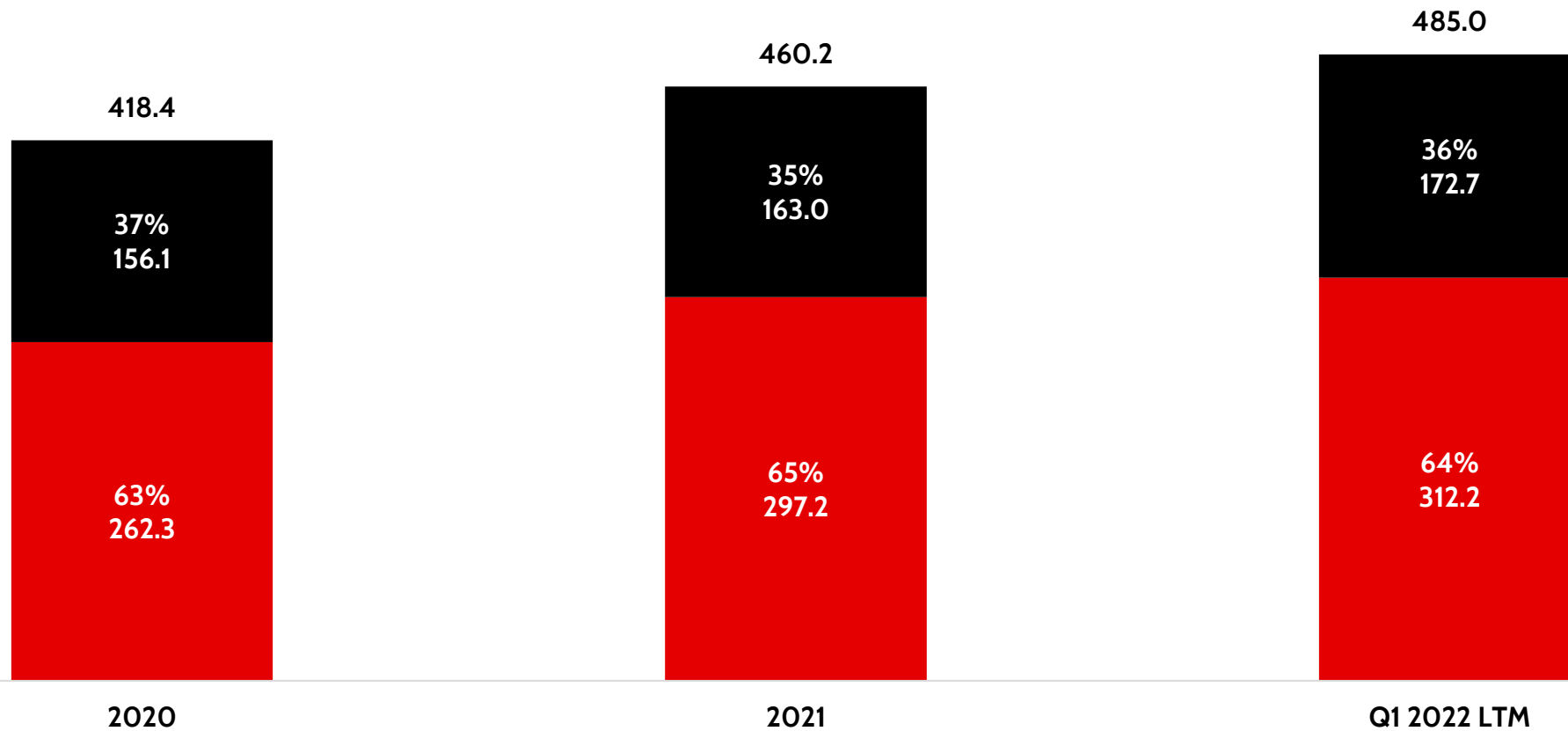
# Appendix

# Total Revenue



Total may differ due to rounding

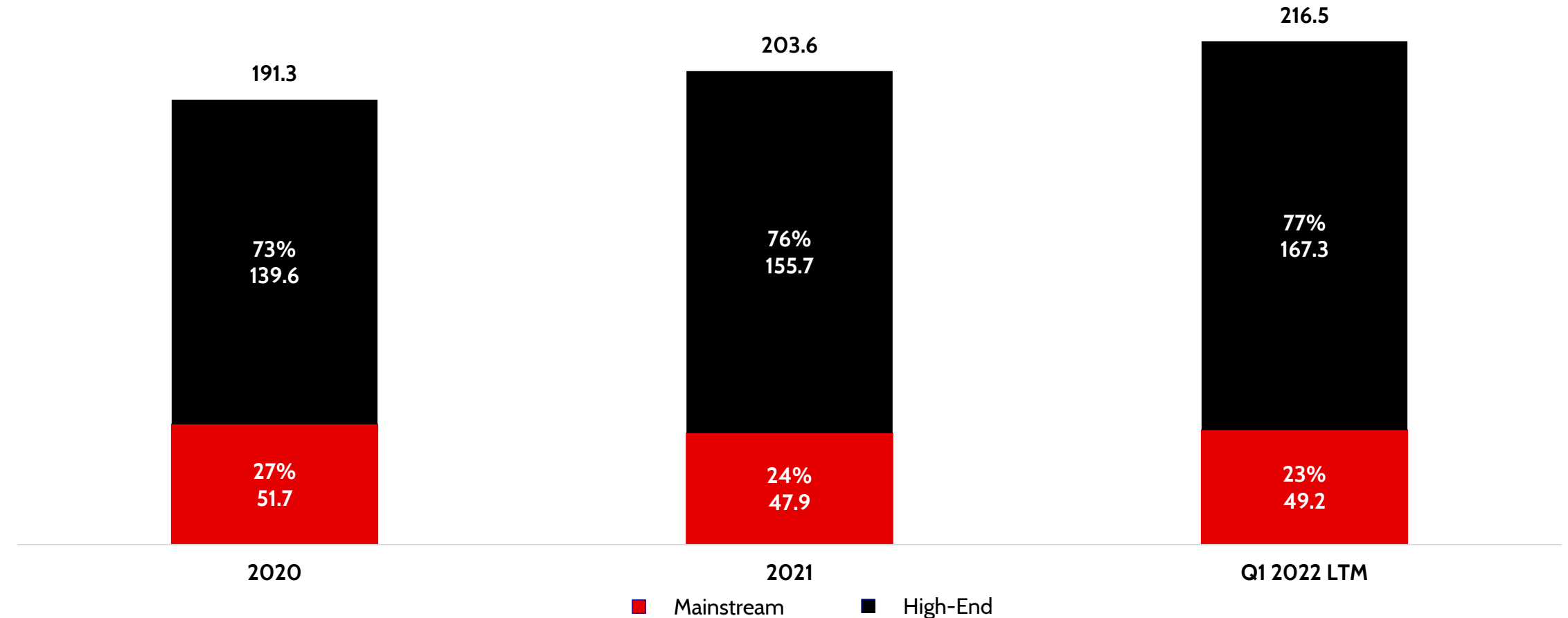
# IC Photomask Revenue



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

■ Mainstream ■ High-End

# FPD Photomask Revenue



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

■ Mainstream ■ High-End



# 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*

	Three-months ended	Year ended October 31,			Target Model
	January 30, 2022	2021	2020	2019	Two-year Horizon
GAAP Net cash provided by operating activities:	\$ 59,130	\$ 150,772	\$ 143,046	\$ 68,386	\$225,000 - 300,000
Purchases of property, plant and equipment	(19,175)	(109,099)	(70,815)	(178,375)	(100,000)
Government Incentives	-	5,775	5,263	27,003	-
Free Cash Flow	<u>\$ 39,955</u>	<u>\$ 47,448</u>	<u>\$ 77,494</u>	<u>\$ (82,986)</u>	<u>\$ 125,000 - 200,000</u>

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

	Free Cash Flow
Three Months Ended January 30, 2022	\$ 39,955
Year-ended October 31, 2021	47,448
Three-month ended January 31, 2021	(9,152)
LTM January 30, 2022	<u>\$ 78,251</u>

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

	As of		
	January 30, 2022	October 31, 2021	January 31, 2021
Cash and cash equivalents	\$ 314,195	\$ 276,670	\$ 278,539
Current portion of Long-term debt	(18,307)	(22,248)	(21,641)
Long-term Debt	(78,540)	(89,446)	(79,984)
Net Cash	<u>\$ 217,348</u>	<u>\$ 164,976</u>	<u>\$ 176,914</u>