

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 27, 2020

**PHOTRONICS, INC.**

(Exact name of registrant as specified in its charter)

Connecticut  
(State or Other Jurisdiction of) Incorporation

0-15451  
(Commission File Number)

06-0854886  
(IRS Employer Identification No.)

15 Secor Road, Brookfield, CT  
(Address of principal executive offices)

06804  
(Zip Code)

Registrant's Telephone Number, including area code

(203) 775-9000

\_\_\_\_\_  
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
COMMON STOCK, \$0.01 par value per share	PLAB	NASDAQ Global Select Market
PREFERRED STOCK PURCHASE RIGHTS	N/A	N/A

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

On May 27, 2020, Photronics, Inc. (the “Company”) issued a press release reporting second quarter fiscal 2020 results.

A copy of the press release is furnished as Exhibit 99.1 to this report. The information contained in this Item 2.02 and the attached Exhibits 99.1, 99.2, 99.3, 99.4, and 99.5, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 and shall not be incorporated by reference in any filing under the Securities Act of 1933 except as shall be expressly set forth by specific reference in such filing.

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

(d) Exhibits

- [99.1](#) Press Release dated May 27, 2020.
  - [99.2](#) Condensed Consolidated Statements of Income.
  - [99.3](#) Condensed Consolidated Balance Sheets.
  - [99.4](#) Condensed Consolidated Statements of Cash Flows.
  - [99.5](#) Photronics Q2 2020 Financial Results Conference Call May 27, 2020 slides.
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## 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 27, 2020

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Press Release

**For Further Information:**  
R. Troy Dewar, CFA  
Vice President, Investor Relations  
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[tdewar@photronics.com](mailto:tdewar@photronics.com)

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### Photronics Reports Second Quarter Fiscal 2020 Results

- Second quarter 2020 revenue was \$142.8 million, down 11% sequentially and up 9% year-over-year
- Net income attributable to Photronics, Inc. shareholders was \$6.3 million, or \$0.10 per diluted share
- Cash provided by operating activities was \$30.5 million, resulting in a cash balance of \$237.8 million
- Third quarter 2020 guidance: revenue between \$145 and \$155 million with diluted EPS between \$0.11 and \$0.17

BROOKFIELD, Conn. May 27, 2020 (GLOBE NEWSWIRE) — Photronics, Inc. (NASDAQ:PLAB), a worldwide leader in photomask technologies and solutions, today reported financial results for its fiscal 2020 second quarter ended May 3, 2020.

Second quarter revenue was \$142.8 million, 11% lower than the previous quarter and 9% better than the same quarter last year. Integrated circuit (IC) revenue was \$96.8 million, down 9% sequentially and down 2% compared with the second quarter of last year. Flat panel display (FPD) revenue was \$45.9 million, down 13% compared with last quarter and up 39% compared with the same period last year.

Net income attributable to Photronics, Inc. shareholders was \$6.3 million (\$0.10 per diluted share), compared with \$10.3 million (\$0.16 per diluted share) for the first quarter of 2020 and \$8.5 million (\$0.13 per diluted share) for the second quarter of 2019.

“Our entire organization performed well, working hard to meet customer needs during an unprecedented period characterized by supply chain challenges and growing uncertainty,” said Peter Kirlin, chief executive officer. “Our business was soft in China, due primarily to shelter-in-place directives that caused some customers to push out orders, particularly for IC foundries and high-end display panel production. As we ended the quarter, most of these directives were lifted and demand began strengthening. Our low-cost focus and strong balance sheet are helping us to navigate the uncertainty. We remain focused on compelling long-term growth opportunities and are committed to investing to expand market share and maintain technology leadership, primarily in mobile display applications, which we anticipate will continue to grow.”

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## Third Quarter 2020 Guidance

For the third quarter of 2020, Photronics expects revenue to be between \$145 million and \$155 million, and net income attributable to Photronics, Inc. shareholders to be between \$0.11 and \$0.17 per diluted share.

## Conference Call

A conference call to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, May 27, 2020. The call can be accessed by logging onto Photronics' website at [www.photronics.com](http://www.photronics.com). The live dial-in number is (877) 377-7095 or (408) 774-4601 outside of the United States and Canada. The call will be archived on Photronics' website.

## About Photronics

Photronics is a leading worldwide manufacturer of integrated circuit (IC) and flat panel display (FPD) photomasks. High precision quartz plates that contain microscopic images of electronic circuits, photomasks are a key element in the IC and FPD manufacturing process. Founded in 1969, Photronics has been a trusted photomask supplier for 50 years. As of October 31, 2019, the company had 1,775 employees. The company has 11 strategically located manufacturing facilities in Asia, Europe, and North America. Additional information on the company can be accessed at [www.photronics.com](http://www.photronics.com).

## Forward-Looking Statements

Certain statements in this press release constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements made by or on behalf of the company and its subsidiaries. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Photronics to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Statements preceded by, followed by or that otherwise include the words "believes," "expects," "anticipates," "intends," "projects," "estimates," "plans," "may increase," "may fluctuate," "will," "should," "would," "may" and "could" or similar words or expressions are generally forward-looking in nature and not historical facts. Any statements that refer to outlook, expectations or other characterizations of future events, circumstances or results are also forward-looking statements. Important risks, assumptions and other important factors that could cause future results to differ materially from those expressed in the forward-looking statements are specified in Photronics' Annual and Quarterly filings with the Securities and Exchange Commission under headings such as "Forward-Looking Statements", "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in other filings and furnishings made by Photronics with the Securities and Exchange Commission from time to time. These risks and uncertainties include, but are not limited to, the current pandemic and future recurrences and other developments with respect thereto, governmental responses to the pandemic and related matters, changes in end markets resulting therefrom, changes in investment, tax, trade, exchange and other laws and regulations, as well as economic, competitive, legal, governmental, political, monetary and fiscal policy, and technological factors and decisions we may make in the future regarding our business, capital structure and other matters. Photronics undertakes no obligation to release publicly any revisions to any forward-looking statements or, except as required to be disclosed in filings or furnishings with the Securities and Exchange Commission, to report events or to report the occurrence of unanticipated events. There is no assurance that Photronics' expectations will be realized.

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

	Three Months Ended			Six Months Ended	
	May 3, 2020	February 2, 2020	April 28, 2019	May 3, 2020	April 28, 2019
Revenue	\$ 142,774	\$ 159,736	\$ 131,580	\$ 302,510	\$ 256,291
Cost of goods sold	<u>112,341</u>	<u>125,134</u>	<u>105,570</u>	<u>237,475</u>	<u>204,179</u>
Gross profit	30,433	34,602	26,010	65,035	52,112
Operating Expenses:					
Selling, general and administrative	13,267	14,219	13,269	27,486	27,061
Research and development	<u>4,462</u>	<u>4,080</u>	<u>3,542</u>	<u>8,541</u>	<u>7,805</u>
Total Operating Expenses	<u>17,729</u>	<u>18,299</u>	<u>16,811</u>	<u>36,027</u>	<u>34,866</u>
Operating income	12,704	16,303	9,199	29,008	17,246
Other income (expense), net	<u>(951)</u>	<u>3,697</u>	<u>3,931</u>	<u>2,745</u>	<u>5,039</u>
Income before income taxes	11,753	20,000	13,130	31,753	22,285
Income tax provision	<u>3,781</u>	<u>9,072</u>	<u>3,278</u>	<u>12,853</u>	<u>4,665</u>
Net income	7,972	10,928	9,852	18,900	17,620
Net income attributable to noncontrolling interests	<u>1,688</u>	<u>628</u>	<u>1,373</u>	<u>2,316</u>	<u>3,874</u>
Net income attributable to Photronics, Inc. shareholders	<u>\$ 6,284</u>	<u>\$ 10,300</u>	<u>\$ 8,479</u>	<u>\$ 16,584</u>	<u>\$ 13,746</u>
Earnings per share:					
Basic	<u>\$ 0.10</u>	<u>\$ 0.16</u>	<u>\$ 0.13</u>	<u>\$ 0.25</u>	<u>\$ 0.21</u>
Diluted	<u>\$ 0.10</u>	<u>\$ 0.16</u>	<u>\$ 0.13</u>	<u>\$ 0.25</u>	<u>\$ 0.20</u>
Weighted-average number of common shares outstanding:					
Basic	<u>64,937</u>	<u>65,554</u>	<u>66,261</u>	<u>65,246</u>	<u>66,422</u>
Diluted	<u>65,417</u>	<u>66,449</u>	<u>70,597</u>	<u>65,933</u>	<u>71,593</u>

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

	<u>May 3, 2020</u>	<u>October 31, 2019</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 237,790	\$ 206,530
Accounts receivable	135,035	134,454
Inventories	56,968	48,155
Other current assets	<u>42,478</u>	<u>38,388</u>
Total current assets	472,271	427,527
Property, plant and equipment, net	604,545	632,441
Intangible assets, net	5,690	7,870
Other assets	<u>51,382</u>	<u>50,827</u>
Total assets	<u>\$ 1,133,888</u>	<u>\$ 1,118,665</u>
<b>Liabilities and Equity</b>		
Current liabilities:		
Debt	\$ 17,671	\$ 10,873
Accounts payable and accrued liabilities	<u>135,701</u>	<u>141,081</u>
Total current liabilities	153,372	151,954
Long-term debt	35,783	41,887
Other liabilities	23,075	13,732
Photronics, Inc. shareholders' equity	769,191	769,892
Noncontrolling interests	<u>152,467</u>	<u>141,200</u>
Total equity	<u>921,658</u>	<u>911,092</u>
Total liabilities and equity	<u>\$ 1,133,888</u>	<u>\$ 1,118,665</u>

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

	Six Months Ended	
	May 3, 2020	April 28, 2019
Cash flows from operating activities:		
Net income	\$ 18,900	\$ 17,620
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	47,896	38,515
Share-based compensation	2,576	1,962
Changes in operating assets, liabilities and other	(8,049)	(60,384)
Net cash provided by (used in) operating activities	61,323	(2,287)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(30,127)	(140,436)
Government incentive	5,260	5,698
Other	(139)	(23)
Net cash used in investing activities	(25,006)	(134,761)
Cash flows from financing activities:		
Proceeds from long-term debt	1,140	39,633
Contribution from noncontrolling interest	7,600	29,394
Purchase of treasury stock	(16,894)	(10,696)
Repayments of long-term debt	(389)	(61,220)
Proceeds from share-based arrangements	3,423	1,033
Dividends paid to noncontrolling interests	-	(26,102)
Other	(251)	(45)
Net cash used in financing activities	(5,371)	(28,003)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	475	2,843
Net increase (decrease) in cash, cash equivalents, and restricted cash	31,421	(162,208)
Cash, cash equivalents, and restricted cash, beginning of period	209,291	331,989
Cash, cash equivalents, and restricted cash, end of period	\$ 240,712	\$ 169,781





# Photronics, Inc.

**Q2 2020 Financial Results Conference Call  
May 27, 2020**



# Safe Harbor Statement

This presentation and some of our comments may contain projections or other forward-looking statements regarding future events, our future financial performance, and/or the future performance of the industry. These statements are predictions, and contain risks and uncertainties. Actual events or results may differ materially from those presented. These statements include words like “anticipate”, “believe”, “estimate”, “expect”, “forecast”, “may”, “plan”, “project”, “in our view” or the negative thereto. We cannot guarantee the accuracy of any forecasts or estimates, and we are not obligated to update any forward-looking statements if our expectations change. If you would like more information on the risks involved in forward-looking statements, please see the documents we file from time to time with the Securities and Exchange Commission.

# Response to COVID-19: Four Key Focus Areas

## ▶ Employee health

- Health monitoring
- Adoption of best practices
- Global visitor policy

## ▶ Raw material supply

- Weekly meetings to monitor global supply chain
- Constant contact with suppliers

## ▶ Customer support

- Open communications with customers to understand needs
- Constant contact with logistic partners

## ▶ Tool maintenance

- Engagement with virtual service technicians where feasible
- Reliance on self-service expertise

# Q2 2020 Summary

- ▶ **Revenue was \$142.8M, down 11% Q/Q and up 9% Y/Y**
  - FPD production remained at capacity, with sequential mix shift away from G10.5+ and AMOLED as customers in China pushed out orders
  - IC revenue impacted by order push out from China customers
  - Revenue of products shipped to China improved 39% Y/Y, but fell 20% Q/Q
- ▶ **Net income attributable to Photronics, Inc. shareholders of \$6.3M (\$0.10/share)**
- ▶ **Cash balance grew to \$238M; \$31M operating cash generation**
- ▶ **Repurchased 0.5M shares for \$6M; program terminated 3/26/2020**
- ▶ **China production contributed \$17M to revenue; Hefei facility generated operating profit and positive operating cash flow despite significant drop in G10.5+ demand**
- ▶ **Remain committed to growth strategy with commencement of next phase of FPD investment**

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

# Income Statement Summary

<u>\$M (except EPS)</u>	<u>Q220</u>	<u>Q120</u>	<u>Q/Q</u>	<u>Q219</u>	<u>Y/Y</u>
Revenue	\$ 142.8	\$ 159.7	(11%)	\$ 131.6	9%
Gross Profit	\$ 30.4	\$ 34.6	(12%)	\$ 26.0	17%
<i>Gross Margin</i>	21.3%	21.7%	(40 bps)	19.8%	150 bps
Operating Income	\$ 12.7	\$ 16.3	(22%)	\$ 9.2	38%
<i>Operating Margin</i>	8.9%	10.2%	(130 bps)	7.0%	190 bps
Other income (expense)	(\$ 1.0)	\$ 3.7	(\$ 4.6)	\$ 3.9	(\$ 4.9)
Income tax provision	\$ 3.8	\$ 9.1	(\$ 5.3)	\$ 3.3	\$ 0.5
Minority interest	\$ 1.7	\$ 0.6	\$ 1.1	\$ 1.4	\$ 0.3
Net Income*	\$ 6.3	\$ 10.3	(39%)	\$ 8.5	(26%)
Diluted EPS*	\$ 0.10	\$ 0.16	(\$ 0.06)	\$ 0.13	(\$ 0.03)
<i>Days in quarter</i>	91	94	(3)	91	-

- ▶ **Gross and operating margin moved in line with revenue (up Y/Y; down Q/Q)**
- ▶ **China operations were \$1.0M negative impact to operating income**
- ▶ **Other income / (expense) primarily due to FX gain / (loss)**
- ▶ **Minority interest reflects Taiwan JV gain offset by China JV loss**

# IC Photomask Revenue

<u>\$M</u>	<u>Q220</u>	<u>Q120</u>	<u>Q/Q</u>	<u>Q219</u>	<u>Y/Y</u>
High-End*	\$ 38.3	\$ 41.0	(7%)	\$ 38.4	--
Mainstream	\$ 58.6	\$ 65.9	(11%)	\$ 60.2	(3%)
Total	\$ 96.8	\$ 107.0	(9%)	\$ 98.6	(2%)

Total may differ due to rounding

Q220 Revenue by Technology



- High-End\* 40%
- Mainstream 60%

\*28nm and smaller

▶ **High-end flat Y/Y; sequential decline primarily due to Chinese order push outs**

▶ **China revenue**

- +14% Y/Y
- Q/Q down 21% on soft foundry demand
- Represents 21% of Q220 IC revenue

▶ **Outlook**

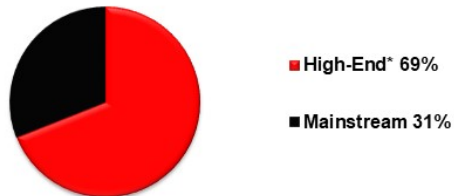
- Demand trends improving
- Government restrictions and trade policy developments create uncertainty

# FPD Photomask Revenue

<u>\$M</u>	<u>Q220</u>	<u>Q120</u>	<u>Q/Q</u>	<u>Q219</u>	<u>Y/Y</u>
High-End*	\$ 31.8	\$ 39.8	(20%)	\$ 22.1	44%
Mainstream	\$ 14.1	\$ 13.0	9%	\$ 10.9	29%
Total	\$ 45.9	\$ 52.8	(13%)	\$ 33.0	39%

Total may differ due to rounding

Q220 Revenue by Technology



\*≥G10.5, AMOLED and LTPS

▶ **Y/Y growth due to production ramp in Hefei; Q/Q decline due to China order push out (G10.5+ & AMOLED)**

▶ **China revenue**

- -20% Q/Q; +69% Y/Y
- Represents 57% of Q220 FPD revenue

▶ **Outlook**

- Demand trends improving for G10.5+ and AMOLED
- Government restrictions create uncertainty, especially for mobile demand
- Production should remain at capacity

## Select Financial Data

<u>\$M</u>	<u>Q220</u>	<u>Q120</u>	<u>Q219</u>
Cash	\$ 238	\$ 218	\$ 167
Debt	\$ 53	\$ 54	\$ 36
Net Cash*	\$ 184	\$ 164	\$ 131
Operating Cash Flow	\$ 31	\$ 31	\$ 17
Capital Expenditures	\$ 16	\$ 14	\$ 34
Government Incentives for Capital Equipment	\$ 3	\$ 2	\$ 1
Share repurchase	\$ 6	\$ 11	-

- ▶ Debt is local China borrowing to finance fixed assets
- ▶ FY 2020 capex ~ \$100M (includes \$35M capital lease)
- ▶ Repurchased 0.5M shares for \$6M (1.5M shares for \$17M YTD); program terminated 3/26/2020
- ▶ Balance sheet able to fund planned investments, share repurchases, and strategic M&A opportunities

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



# Q320 Guidance

Revenue (\$M)	\$145 - \$155
Operating Margin	9% - 12%
Taxes (\$M)	\$4.5 - \$5.5
EPS	\$0.11 - \$0.17
Diluted Shares (M)	~65

- ▶ High uncertainty related to coronavirus reaction
- ▶ FPD demand growing (AMOLED, LTPS, G10.5+)
- ▶ High-end IC markets stable to improving; ramping Xiamen production
- ▶ Potential geopolitical headwind due to trade policy decisions
- ▶ Due to end-market demand uncertainty, we are withdrawing previously established 2020 targets



**Thank you for your interest!**

**For Additional Information:**

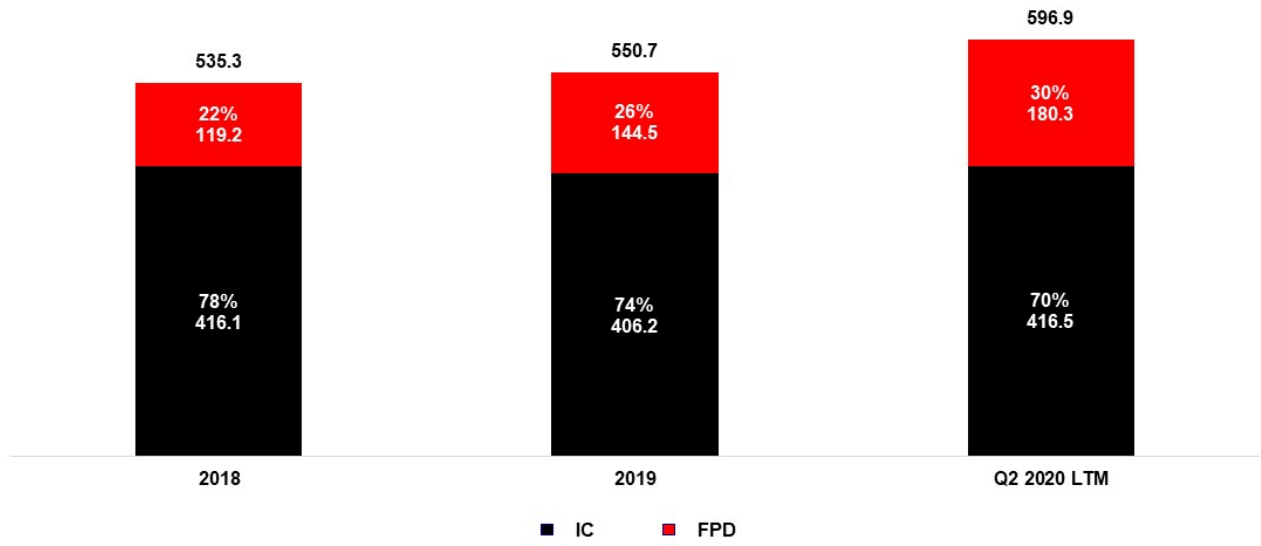
**R. Troy Dewar, CFA**  
**Vice President, Investor Relations**  
**203.740.5610**  
[tdewar@photronics.com](mailto:tdewar@photronics.com)





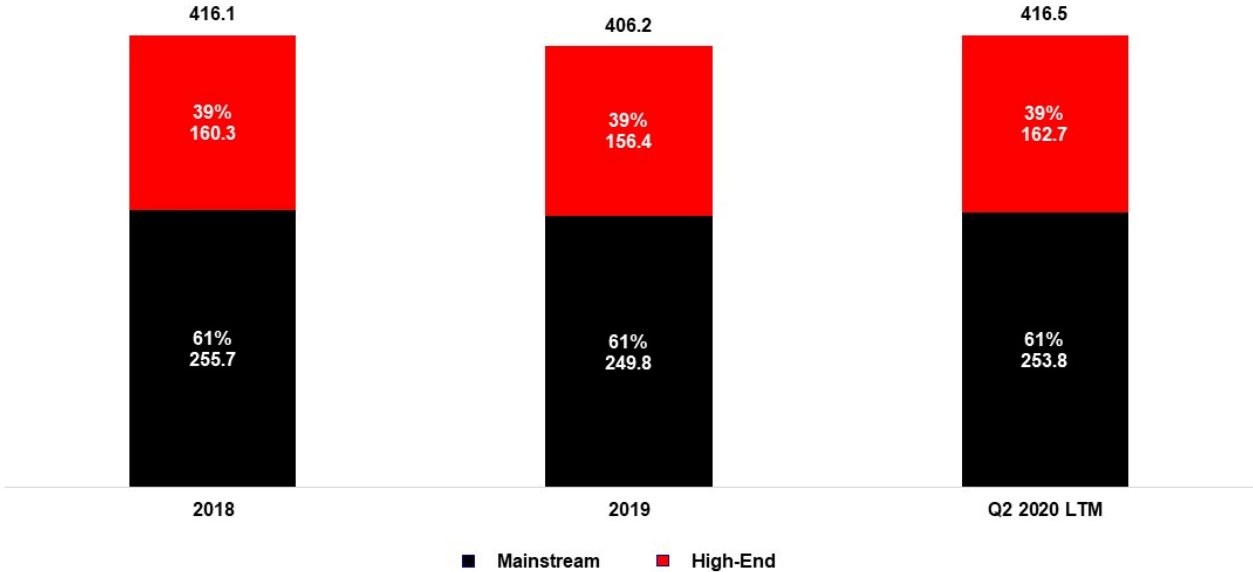
# Appendix

# Total Revenue



Total may differ due to rounding

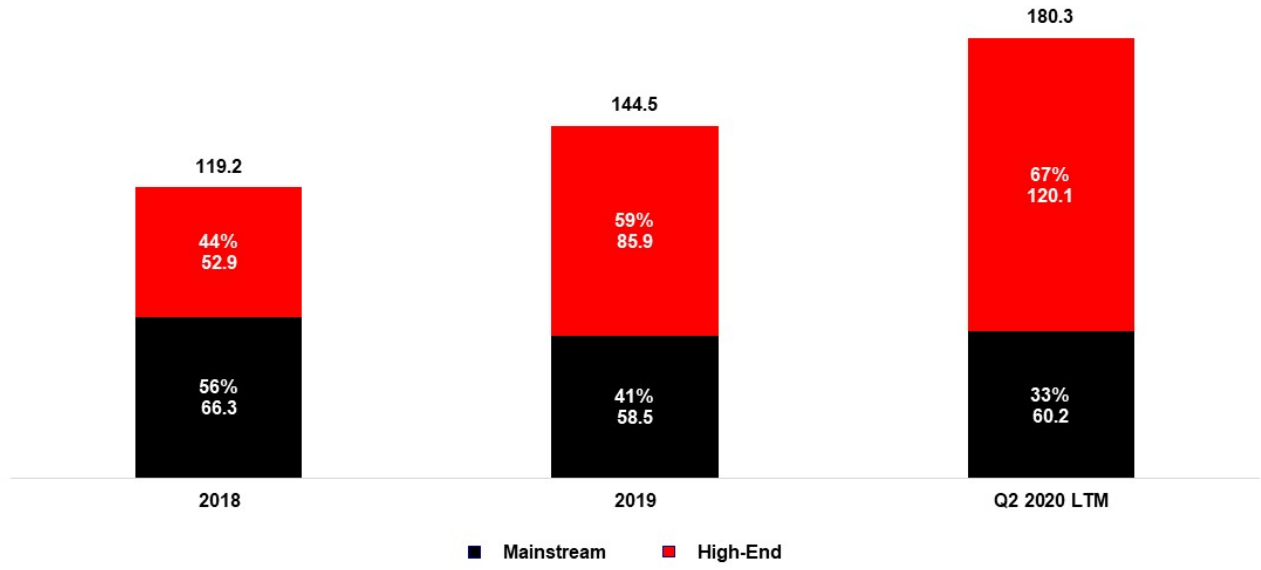
# IC Photomask Revenue



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



# FPD Photomask Revenue



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

