

Photronics, Inc.

**Q3 2020 Financial Results Conference Call
August 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.

Q3 2020 Summary

- ▶ **Revenue was \$157.9M, up 11% Q/Q and 14% Y/Y**
 - 12th consecutive quarter of YOY revenue growth
 - FPD production remained at capacity, with sequential growth across all high-end technologies
 - IC revenue grew on China recovery
 - Revenue of products shipped to China improved 10% Q/Q and 46% Y/Y
- ▶ **Net income attributable to Photronics, Inc. shareholders of \$10.8M (\$0.17/share)**
- ▶ **Cash balance grew to \$261M**
 - \$17M generated from operating activity
 - \$10M contribution from JV partner
- ▶ **China production contributed \$21M in revenue and \$1M in operating profit**
- ▶ **Next phase of FPD capacity investment on track for tool delivery in 2021**
- ▶ **Daniel Liao (Senior Advisor, Lam Research Corp.) joined Board of Directors**

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

Income Statement Summary

<u>\$M (except EPS)</u>	<u>Q320</u>	<u>Q220</u>	<u>Q/Q</u>	<u>Q319</u>	<u>Y/Y</u>
Revenue	\$ 157.9	\$ 142.8	11%	\$ 138.1	14%
Gross Profit	\$ 37.7	\$ 30.4	24%	\$ 30.6	23%
<i>Gross Margin</i>	<i>23.9%</i>	<i>21.3%</i>	<i>260 bps</i>	<i>22.1%</i>	<i>180 bps</i>
Operating Income	\$ 19.9	\$ 12.7	57%	\$ 13.4	49%
<i>Operating Margin</i>	<i>12.6%</i>	<i>8.9%</i>	<i>370 bps</i>	<i>9.7%</i>	<i>290 bps</i>
Other income (expense)	(\$ 2.1)	(\$ 1.0)	(\$ 1.2)	(\$ 0.3)	(\$ 1.8)
Income tax provision	\$ 4.9	\$ 3.8	\$ 1.2	\$ 3.2	\$ 1.7
Minority interest	\$ 2.1	\$ 1.7	\$ 0.4	\$ 3.5	(\$ 1.4)
Net Income*	\$ 10.8	\$ 6.3	71%	\$ 6.3	70%
Diluted EPS*	\$ 0.17	\$ 0.10	\$ 0.07	\$ 0.10	\$ 0.07
<i>Days in quarter</i>	<i>91</i>	<i>91</i>	<i>-</i>	<i>91</i>	<i>-</i>

- ▶ **Gross and operating margin moved up with revenue (operating leverage, cost controls)**
- ▶ **China operations contributed \$1.0M to operating income**
- ▶ **Other income / (expense) primarily due to FX gain / (loss)**
- ▶ **Minority interest includes IC JVs in Taiwan and China**

*Net income attributable to Photronics, Inc. shareholders

IC Photomask Revenue

<u>\$M</u>	<u>Q320</u>	<u>Q220</u>	<u>Q/Q</u>	<u>Q319</u>	<u>Y/Y</u>
High-End*	\$ 38.7	\$ 38.3	1%	\$ 38.5	1%
Mainstream	\$ 70.0	\$ 58.6	19%	\$ 61.7	13%
Total	\$ 108.7	\$ 96.8	12%	\$ 100.2	8%

Total may differ due to rounding

▶ **High-end flat; mainstream up on China foundry recovery**

▶ **China revenue**

- Up 15% Q/Q and 60% Y/Y
- Represents 22% of Q320 IC revenue

Q320 Revenue by Technology



- High-End* 36%
- Mainstream 64%

▶ **Outlook**

- New US restrictions on Huawei (8/17) creating greater uncertainty
- Potential headwinds if governments escalate shelter-in-place mandates

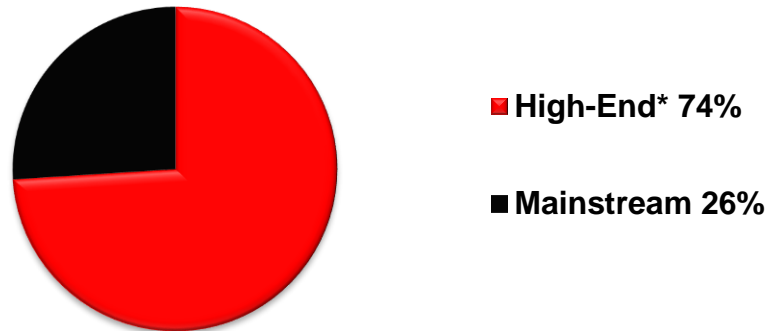
*28nm and smaller

FPD Photomask Revenue

<u>\$M</u>	<u>Q320</u>	<u>Q220</u>	<u>Q/Q</u>	<u>Q319</u>	<u>Y/Y</u>
High-End*	\$ 36.7	\$ 31.8	15%	\$ 23.1	59%
Mainstream	\$ 12.6	\$ 14.1	(11%)	\$ 14.8	(15%)
Total	\$ 49.2	\$ 45.9	7%	\$ 37.9	30%

Total may differ due to rounding

Q320 Revenue by Technology



*≥G10.5, AMOLED and LTPS

▶ **High-end revenue growth across all technologies (AMOLED, G10.5+, LTPS)**

▶ **China revenue**

- Up 5% Q/Q and 36% Y/Y
- Represents 56% of Q320 FPD revenue

▶ **Outlook**

- Dynamic market environment
- Temporary dislocation as supply chain reacts to Huawei restrictions
- Planned annual PM in Hefei

Select Financial Data

<u>\$M</u>	<u>Q320</u>	<u>Q220</u>	<u>Q319</u>
Cash	\$ 261	\$ 238	\$ 197
Debt	\$ 53	\$ 53	\$ 49
Net Cash*	\$ 208	\$ 184	\$ 148
Operating Cash Flow	\$ 17	\$ 31	\$ 26
Capital Expenditures	\$ 7	\$ 16	\$ 20
Government Incentives for Capital Equipment	-	\$ 3	\$ 12
Share repurchase	-	\$ 6	-

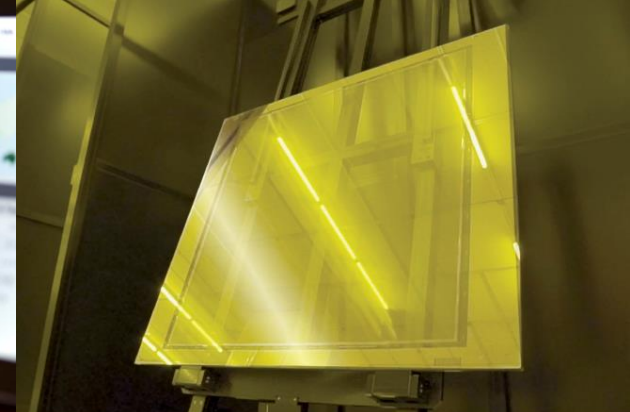
- ▶ **Debt is mostly local China borrowing to finance fixed assets, working capital and VAT**
- ▶ **YTD capex is \$37M; expect FY 2020 capex ~\$80M**
- ▶ **Balance sheet able to fund planned investments, share repurchases, and strategic M&A opportunities**

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

Q420 Guidance

Revenue (\$M)	\$148 - \$158
Operating Margin	10% - 14%
Taxes (\$M)	\$4 - \$5
EPS	\$0.12 - \$0.19
Diluted Shares (M)	~65

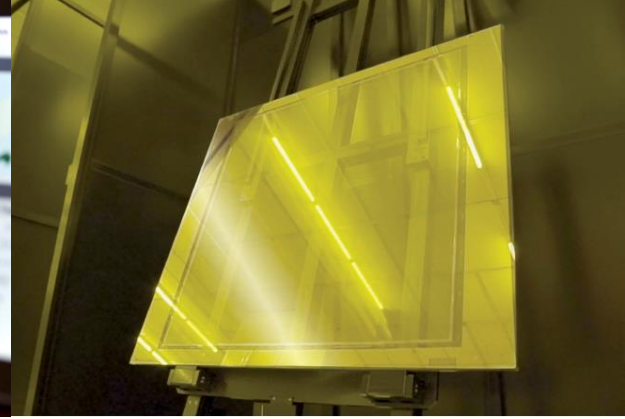
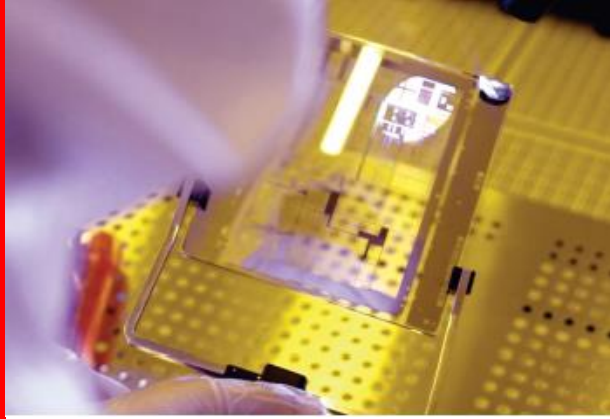
- ▶ **Huawei restrictions creates uncertainty across IC & FPD supply chains**
- ▶ **Annual PM planned for Hefei plant**
- ▶ **Focus on expanding margins and improving cash flows**
- ▶ **Potential geopolitical headwind due to coronavirus reaction and trade policy decisions**



Thank you for your interest!

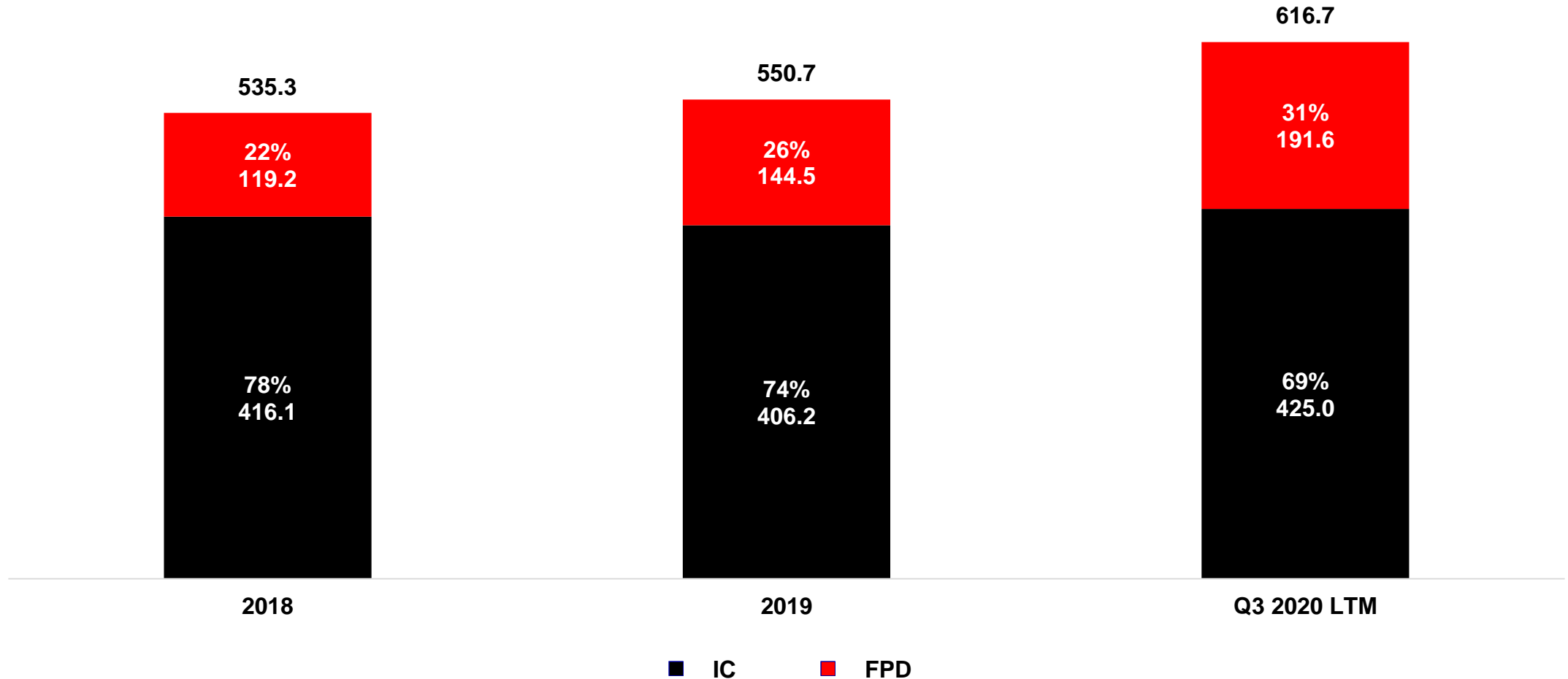
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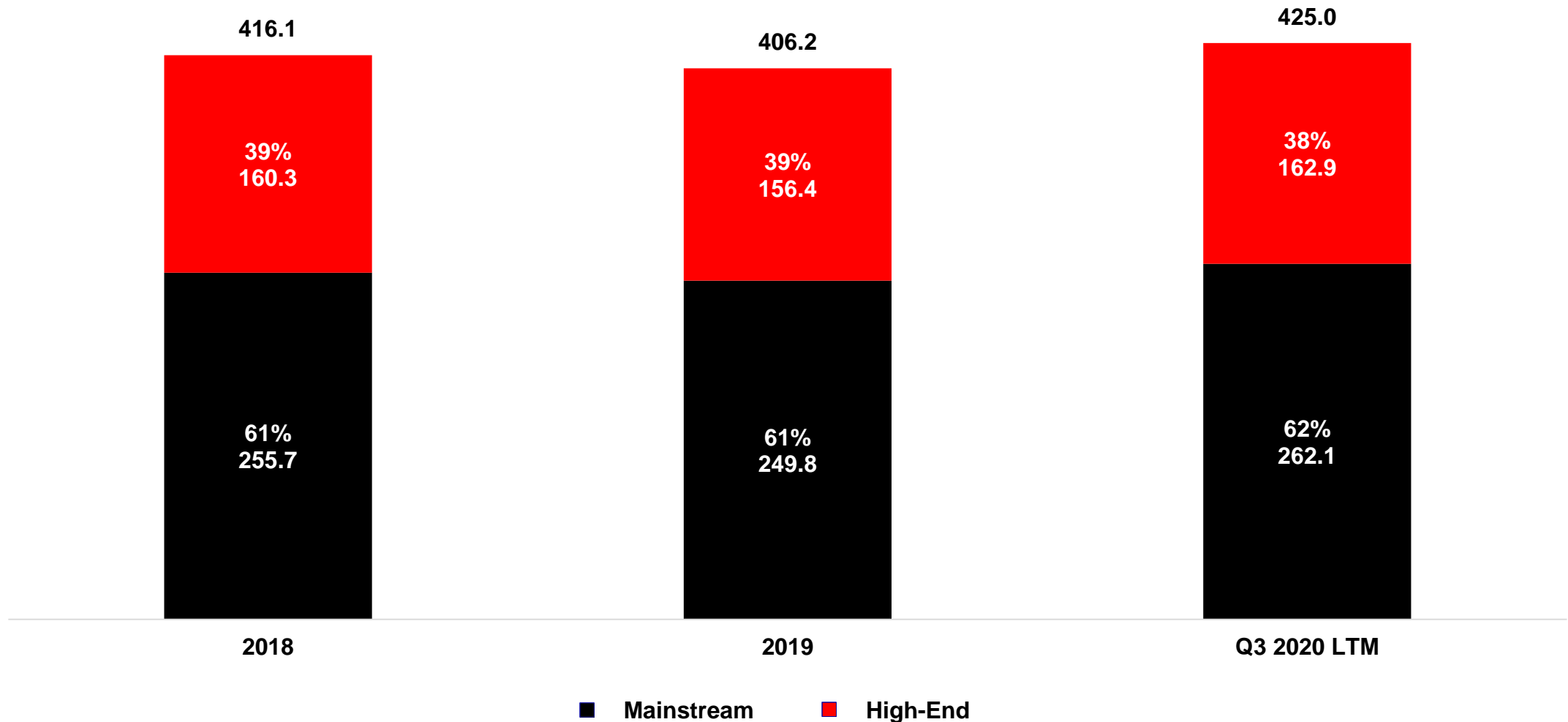
Appendix

Total Revenue



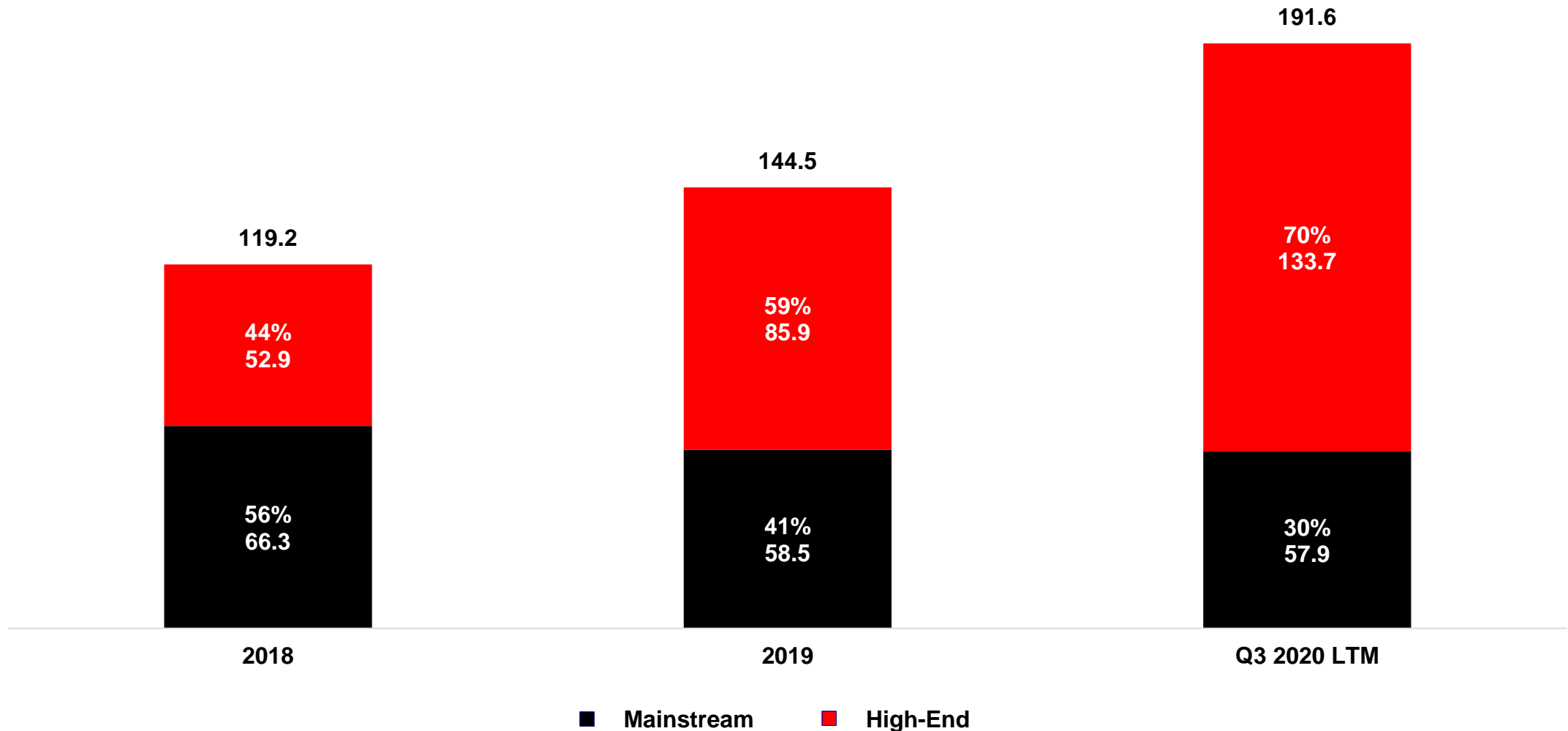
Total may differ due to rounding

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