

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 24, 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.**

On May 24, 2023, Photonics, Inc. (the “Company”) issued a press release reporting second 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, 99.6 and 99.7, 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 24, 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 April 30, 2023 may be disclosed. This information is set forth in Exhibit 99.7.

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

- (d) Exhibits
- [99.1](#) Press Release May 24, 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](#) Reconciliation of GAAP to non-GAAP Financial Information (cont.).
  - [99.7](#) Photonics Q2 2023 Financial Results Conference Call May 24, 2023 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 24, 2023

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**For Further Information:**  
John P. Jordan  
Executive Vice President & CFO  
203.740.5671  
jjordan@photronics.com

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### Photronics Reports Second Quarter Fiscal 2023 Results

BROOKFIELD, Conn. May 24, 2023 (GLOBE NEWSWIRE) — [Photronics, Inc.](#) (NASDAQ:PLAB), a worldwide leader in photomask technologies and solutions, today reported financial results for its second quarter of fiscal year 2023 ended April 30, 2023.

“We achieved record revenue in the second quarter with growth across IC and FPD as demand for our design-driven product remained high,” said Frank Lee, chief executive officer. “Mainstream IC demand remained robust across all regions, especially Asia and the US. FPD demand was driven primarily by AMOLED for advanced mobile displays as that technology continues to be adopted across new devices. Profit margins expanded on positive volume leverage, pricing, favorable mix, and tight control of cost. Cash generated from operating activities was very strong, enabling us to strengthen our balance sheet while also investing in organic growth. We are on pace for another great year in 2023 and to deliver on our long-term financial goals. I am confident that our team will continue to perform well to create value for our shareholders.”

#### Second Quarter Fiscal 2023 Results

- Revenue was \$229.3 million up 9% sequentially and 12% year-over-year
  - GAAP net income attributable to Photronics, Inc. shareholders was \$39.9 million (\$0.65 per diluted share), compared with \$14.0 million (\$0.23 per diluted share) in the first quarter of 2023 and \$27.4 million (\$0.45 per diluted share) in the second quarter 2022
  - Non-GAAP net income attributable to Photronics, Inc. shareholders was \$32.9 million (\$0.54 per diluted share), compared with \$24.4 million (\$0.40 per diluted share) in the first quarter of 2023 and \$23.1 million (\$0.38 per diluted share) in the second quarter 2022
  - IC revenue was \$167.1 million, up 7% sequentially and 15% year-over-year
  - FPD revenue was \$62.3 million, up 14% sequentially and 6% more than same quarter last year
  - Cash generated from operating activities was \$82 million, and cash invested in growth through capital expenditures was \$27 million
  - Cash balance at the end of the quarter was \$367.5 million with debt of \$28 million, providing funds and available liquidity to support our growth investments
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### Third Quarter Fiscal 2023 Guidance

For the third quarter of fiscal 2023, Photronics expects revenue to be between \$224 million and \$234 million and non-GAAP net income attributable to Photronics, Inc. shareholders to be between \$0.48 and \$0.54 per diluted share.

### Webcast

A webcast to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, May 24, 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](http://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](http://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 pages.

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

	Three Months Ended			Six Months Ended	
	April 30, 2023	January 29, 2023	May 1, 2022	April 30, 2023	May 1, 2022
Revenue	\$ 229,306	\$ 211,090	\$ 204,509	\$ 440,397	\$ 394,336
Cost of goods sold	140,904	135,013	134,289	275,918	264,253
Gross Profit	88,402	76,077	70,220	164,479	130,083
Operating Expenses:					
Selling, general and administrative	17,878	16,818	16,613	34,696	32,340
Research and development	3,479	3,302	4,206	6,781	10,145
Total Operating Expenses	21,357	20,120	20,819	41,477	42,485
Operating Income	67,045	55,957	49,401	123,002	87,598
Non-operating (loss) income, net	13,571	(14,425)	8,021	(854)	12,728
Income Before Income Tax Provision	80,616	41,532	57,422	122,148	100,326
Income tax provision	21,343	12,582	14,393	33,925	25,571
Net Income	59,273	28,950	43,029	88,223	74,755
Net income attributable to noncontrolling interests	19,344	14,964	15,597	34,308	24,259
Net income attributable to Photonics, Inc. shareholders	\$ 39,929	\$ 13,986	\$ 27,432	\$ 53,915	\$ 50,496
Earnings per share:					
Basic	\$ 0.65	\$ 0.23	\$ 0.45	\$ 0.88	\$ 0.84
Diluted	\$ 0.65	\$ 0.23	\$ 0.45	\$ 0.88	\$ 0.83
Weighted-average number of common shares outstanding:					
Basic	61,138	60,894	60,606	61,016	60,382
Diluted	61,507	61,470	61,145	61,489	61,041

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

	<u>April 30,</u> <u>2023</u>	<u>October 31,</u> <u>2022</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 367,485	\$ 319,680
Short-term investments	45,431	38,820
Accounts receivable	214,464	198,147
Inventories	54,940	50,753
Other current assets	<u>37,796</u>	<u>37,252</u>
Total current assets	720,116	644,652
Property, plant and equipment, net	699,917	643,873
Other assets	<u>30,992</u>	<u>27,305</u>
Total assets	<u>\$ 1,451,025</u>	<u>\$ 1,315,830</u>
<b>Liabilities and Equity</b>		
Current liabilities:		
Current portion of long-term debt	\$ 7,017	\$ 10,024
Accounts payable and accrued liabilities	<u>178,151</u>	<u>183,773</u>
Total current liabilities	185,168	193,797
Long-term debt	21,322	32,310
Other liabilities	39,851	27,634
Photronics, Inc. shareholders' equity	928,047	831,527
Noncontrolling interests	<u>276,637</u>	<u>230,562</u>
Total equity	<u>1,204,684</u>	<u>1,062,089</u>
Total liabilities and equity	<u>\$ 1,451,025</u>	<u>\$ 1,315,830</u>

**PHOTRONICS, INC.**  
**Condensed Consolidated Statements of Cash Flows**

(in thousands)  
(Unaudited)

	Six Months Ended	
	April 30, 2023	May 1, 2022
Cash flows from operating activities:		
Net income	\$ 88,223	\$ 74,755
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	39,085	41,405
Share-based compensation	3,830	3,041
Changes in operating assets, liabilities and other	(21,461)	(15,912)
Net cash provided by operating activities	<u>109,677</u>	<u>103,289</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(57,728)	(34,809)
Purchases of available-for-sale debt securities	(9,837)	0
Proceeds from maturity of available-for-sale debt securities	4,000	0
Government incentives	1,393	1,394
Other	(88)	(199)
Net cash used in investing activities	<u>(62,260)</u>	<u>(33,614)</u>
Cash flows from financing activities:		
Repayments of debt	(14,720)	(27,571)
Purchases of treasury stock	-	(2,522)
Contributions from noncontrolling interest	-	24,995
Proceeds from share-based arrangements	730	4,384
Net settlements of restricted stock awards	(1,252)	(1,452)
Net cash used in financing activities	<u>(15,242)</u>	<u>(2,166)</u>
Effects of exchange rate changes on cash, cash equivalents, and restricted cash	15,621	(14,917)
Net increase in cash, cash equivalents, and restricted cash	47,796	52,592
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>\$ 370,205</u>	<u>\$ 332,272</u>



**PHOTRONICS, INC.**  
**Reconciliation of GAAP to Non-GAAP Financial Information**

(in thousands)  
(Unaudited)

	Three Months ended			Six Months ended	
	April 30, 2023	January 29, 2023	May 1, 2022	April 30, 2023	May 1, 2022
<b>Reconciliation of GAAP to Non-GAAP Net Income:</b>					
GAAP Net Income	\$ 39,929	\$ 13,986	\$ 27,432	\$ 53,915	\$ 50,496
FX (gain) loss	(10,718)	16,944	(7,844)	6,226	(13,112)
Estimated tax effects of above	2,823	(4,506)	1,947	(1,683)	3,284
Estimated noncontrolling interest effects of above	901	(2,060)	1,543	(1,159)	1,639
Non-GAAP Net Income	<u>\$ 32,935</u>	<u>\$ 24,364</u>	<u>\$ 23,078</u>	<u>\$ 57,299</u>	<u>\$ 42,307</u>
<b>Weighted-average number of common shares outstanding - Diluted</b>	<u>61,507</u>	<u>61,470</u>	<u>61,145</u>	<u>61,489</u>	<u>61,041</u>
<b>Reconciliation of GAAP to Non-GAAP EPS:</b>					
GAAP diluted earnings per share	\$ 0.65	\$ 0.23	\$ 0.45	\$ 0.88	\$ 0.83
Effects of the above adjustments	\$ (0.11)	\$ 0.17	\$ (0.07)	\$ 0.05	\$ (0.14)
Non-GAAP diluted earnings per share	<u>\$ 0.54</u>	<u>\$ 0.40</u>	<u>\$ 0.38</u>	<u>\$ 0.93</u>	<u>\$ 0.69</u>

**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*

	Six Months ended	Year ended		Target Model Two-year Horizon
	April 30, 2023	October 31, 2022	October 31, 2021	
GAAP Net cash provided by operating activities	\$ 109,677	\$ 275,187	\$ 150,772	\$ 350,000 - 400,000
Purchases of property, plant and equipment	(57,728)	(112,338)	(109,099)	(100,000)
Free Cash Flow	\$ 51,949	\$ 162,849	\$ 41,673	\$ 250,000 - 300,000

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

	Free Cash Flow
Six Months ended April 30, 2023	\$ 51,949
Year-ended October 31, 2022	162,849
Six Months ended May 1, 2022	(68,480)
LTM April 30, 2023	\$ 146,318

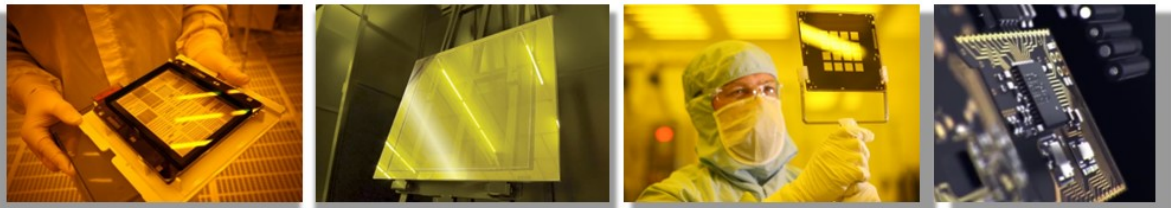
*Reconciliation of Cash and cash equivalents to Net Cash:*

	April 30, 2023	As of October 31, 2022	May 1, 2022
Cash and cash equivalents	\$ 367,485	\$ 319,680	\$ 329,282
Current portion of Long-term debt		(7,017)	(10,024)
Long-term Debt		(21,322)	(32,310)
Net Cash	\$ 339,146	\$ 277,346	\$ 246,734



# Photronics, Inc.

Q2 2023 Financial Results Conference Call  
May 24, 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.

# Q2 2023 Summary

Revenue was a record

**\$229.3M**

IC: +7% Q/Q, +15% Y/Y

FPD: +14% Q/Q, +6% Y/Y



**\$367M** Cash balance

**\$45M** Short-term investments

**\$82M** generated from operating activity

**\$27M** invested in capex

**\$28M** total debt

- Strong demand trends across markets and regions as design activity remains high
- Net income\* was \$39.9M (\$0.65/share); non-GAAP was \$32.9M (\$0.54/share)
- Investing in mainstream IC capacity to capitalize on market growth trends

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

\*Net income attributable to Photronics, Inc. shareholders

5/24/2023

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# CEO: First Year Observations

## Photronics wins with...

- A dedicated team laser focused on customer service
- Leading edge technology and process know-how to deliver top-quality photomasks
- Great market position as the leading photomask merchant
- Strong balance sheet to fund growth

## that creates differentiating Core Competencies



# Clear Strategy for Sustainable, Long-Term Profitable Growth

## Revenue Growth

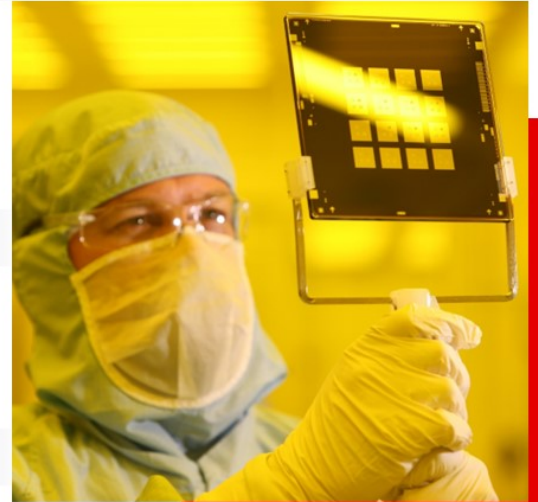
- Win lion's share of the growth in TAM for IC and FPD
- Supplement capacity with point tool investments and targeted expansions
- Capitalize on technology leadership in AMOLED to continue improving mix
- Leverage global footprint to exploit expansion of "legacy foundry" business

## Margin Expansion

- Improved pricing environment in high-end and mainstream IC
- Optimizing asset tool set to match end-market demand
- Increasing benefit from operating leverage

## Explore Strategic Partnerships

- Long-term Purchase Agreements
- Joint-ventures and strategic alliances



# Delivering on Updated Target Model

<u>\$M (except EPS)</u>	<u>2021</u>	<u>2022</u>	<u>Q2 2023 LTM</u>	<u>Illustrative FY 24 Target Model</u>		
Revenue	\$664	\$825	\$871	\$900	\$950	\$975
Gross Margin	25%	36%	38%	38-40%	40-42%	42-43%
Operating Margin	14%	26%	28%	28-30%	30-32%	32-33%
Operating Cash Flow	\$151	\$275	\$282	\$350-375	\$365-380	\$375-400
Free Cash Flow*	\$42	\$163	\$146	\$250-275	\$235-280	\$275-300
Diluted EPS	\$0.89	\$1.94	\$1.99	\$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

5/24/2023

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# Income Statement Summary

\$(M (except EPS))	GAAP			Non-GAAP <sup>1</sup>		
	Q223	Q123	Q222	Q223	Q123	Q222
Revenue	229.3	211.1	204.5			
Gross Profit	88.4	76.1	70.2			
Gross Margin	38.6%	36.0%	34.3%			
Operating Income	67.0	56.0	49.4			
Operating Margin	29.2%	26.5%	24.2%			
Non-operating income	13.6	(14.4)	8.0	2.9	2.5	0.2
Income tax provision	21.3	12.6	14.4	18.5	17.1	12.5
Minority interest	19.3	15.0	15.6	18.4	17.0	14.1
Net income <sup>2</sup>	39.9	14.0	27.4	32.9	24.4	23.1
Diluted EPS <sup>2</sup>	0.65	0.23	0.45	0.54	0.40	0.38
Days in quarter	91	90	91			

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

5/24/2023

- Margins improved due to volume leverage, sustained better pricing, and improved mix
- GAAP Non-operating income primarily consists of unrealized FX gain/loss
- Q2 benefitted from a \$28M FX tailwind Q/Q
- Non-GAAP presentation removes effect of FX gain/loss
- Minority interest reflects strong net income of IC JVs in Taiwan and China

# IC Photomask Revenue

\$M	Q223	Q123	Q/Q	Q222	Y/Y
High-End*	\$ 43.9	\$ 48.0	(9%)	\$ 51.4	(14%)
Mainstream	\$ 123.1	\$ 108.6	13%	\$ 94.4	30%
Total	\$ 167.1	\$ 156.6	7%	\$145.8	15%

\*28nm and smaller

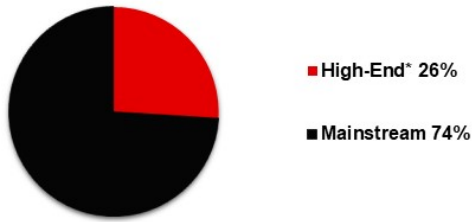
Note: Totals may differ due to rounding

- High-end decreased on lower foundry/logic demand in Asia
- Mainstream demand resumed at a high level during the quarter

## • Outlook

- New designs by customers to gain market share and support technology roadmap contributed to improved high-end orders toward end of the quarter
- Regionalization driving investments for global chip capacity
- ASPs continue to expand, reflecting the demand/supply balance

Q223 Revenue by Technology



5/24/2023

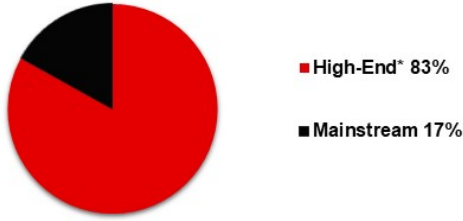
# FPD Photomask Revenue

\$M	Q223	Q123	Q/Q	Q222	Y/Y
High-End*	\$ 51.9	\$ 45.7	14%	\$ 46.6	11%
Mainstream	\$ 10.4	\$ 8.8	18%	\$ 12.1	(14%)
Total	\$ 62.3	\$ 54.5	14%	\$ 58.7	6%

\*≥G10.5, AMOLED and LTPS

Note: Totals may differ due to rounding.

Q223 Revenue by Technology



5/24/2023

- High-end grew as mobile display sustained high AMOLED demand
- Mainstream expanded with additional write capacity.
- Outlook
  - Technology development drives demand for higher-value masks
  - Mobile demand is expected continue strong with rollout of new designs

## Select Financial Data

<u>\$M</u>	<u>Q223</u>	<u>Q123</u>	<u>Q222</u>
Cash	\$ 367	\$ 335	\$ 329
Short-term Investments	\$ 45	\$ 39	-
Debt	\$ 28	\$ 34	\$ 83
Net Cash*	\$ 339	\$ 301	\$ 247
Operating Cash Flow	\$ 82	\$ 28	\$ 44
Capital Expenditures	\$ 27	\$ 31	\$ 16

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

5/24/2023

- Continued strong operating cash flow from income generation and working capital management
- Debt primarily comprised of US equipment leases
- Capex targets growth in IC capacity & facility expansion
- Balance sheet resilient to economic contraction and able to fund investments, share repurchases, and strategic opportunities

## Q3 2023 Guidance

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<b>Revenue (\$M)</b>	\$224 - \$234
<b>Operating Margin</b>	28% - 30%
<b>Taxes (\$M)</b>	\$15 - \$17
<b>Diluted non-GAAP EPS</b>	\$0.48 - \$0.54
<b>Diluted Shares (M)</b>	~61
<b>Full-year Capex (M)</b>	~\$130

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- Incorporation of chips in IoT, 5G, Crypto and consumer products
  - New designs to capture market share
  - Advanced display technologies
- 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:

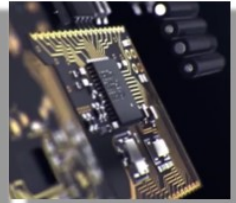
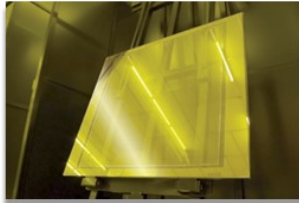
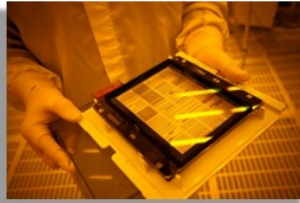
Please contact

John P. Jordan

Executive Vice President & CFO

203.740.5671

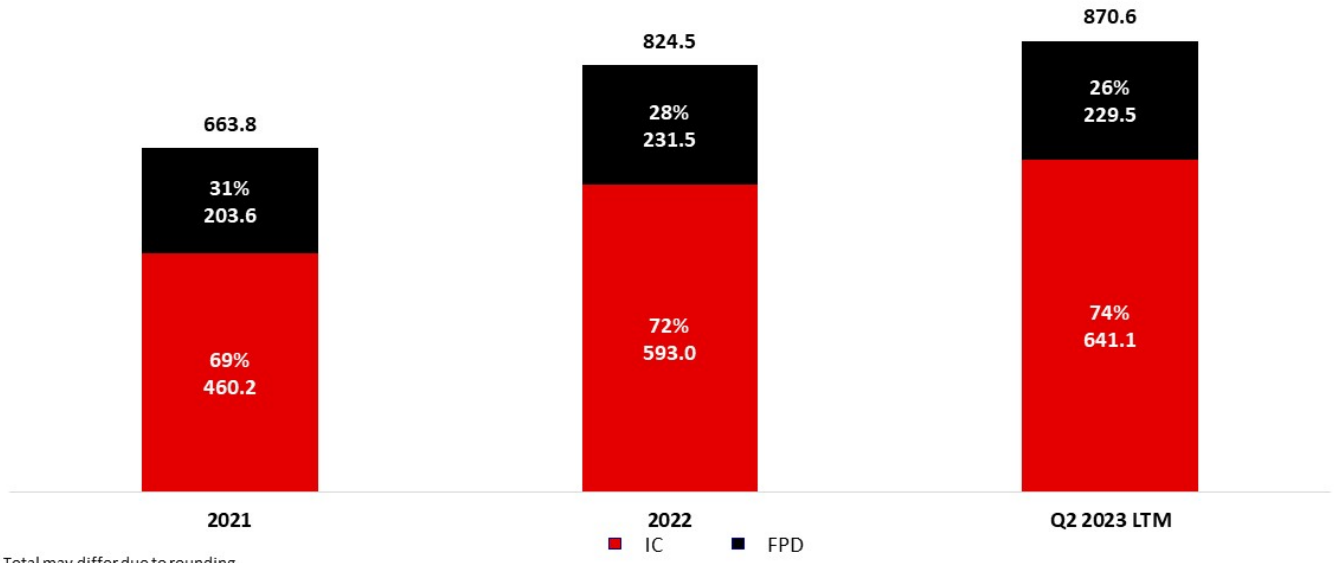
[jjordan@photonics.com](mailto:jjordan@photonics.com)



# Appendix

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# Total Revenue (\$M)

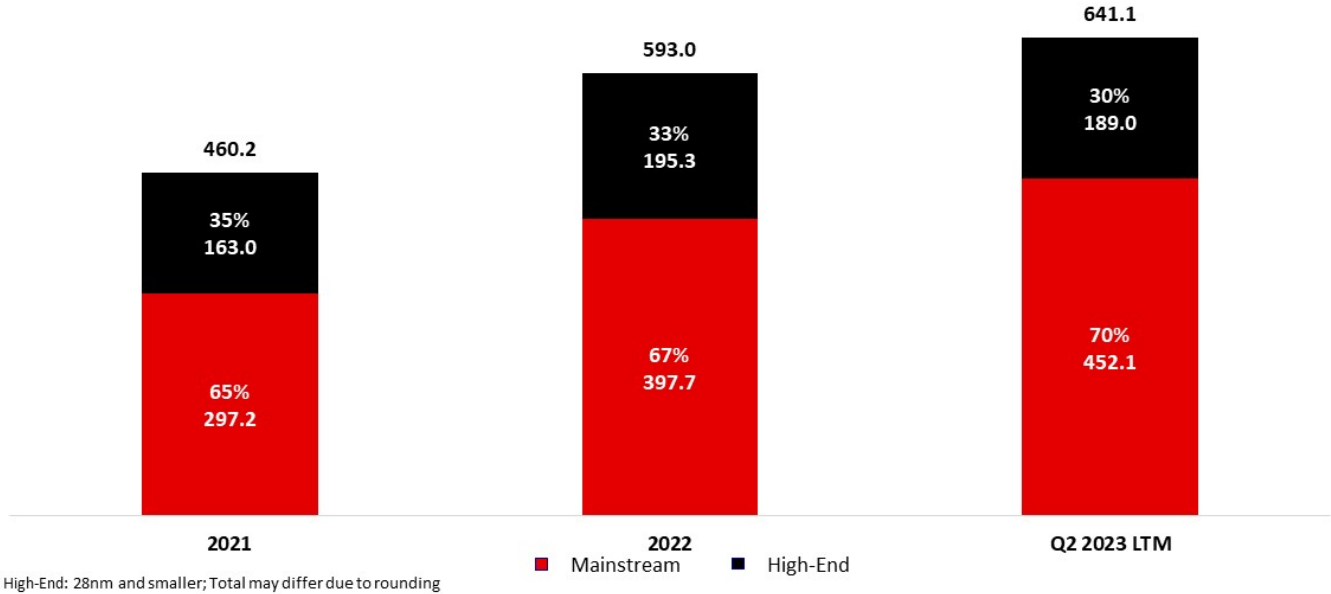


Total may differ due to rounding

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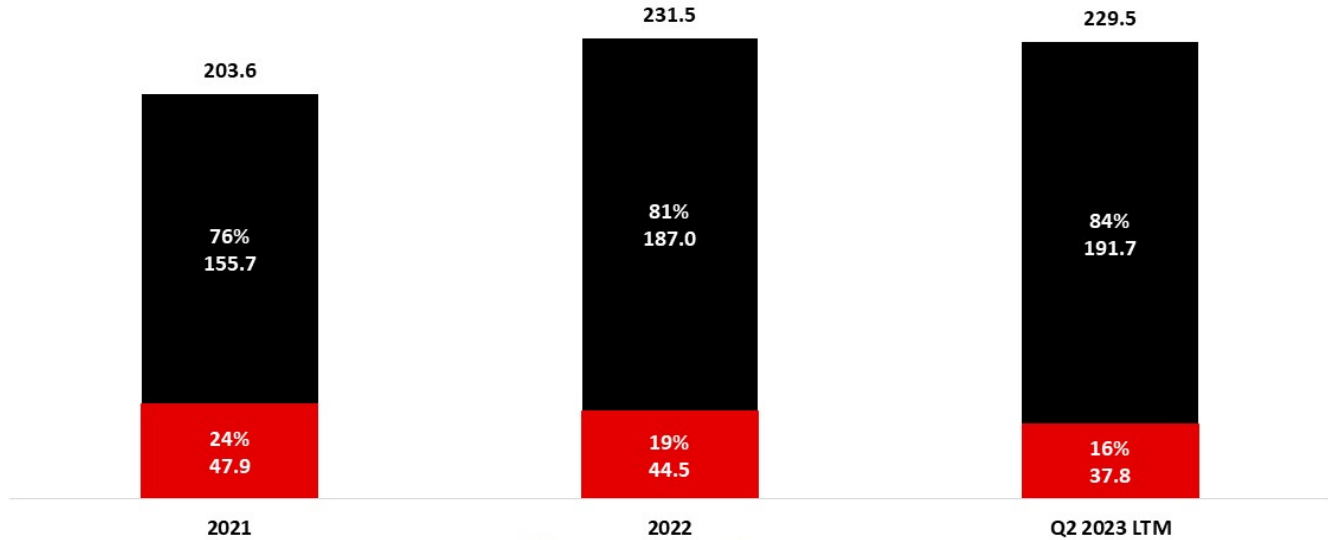


# IC Photomask Revenue (\$M)



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# 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 pages.

# Non-GAAP Financial Measures

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

	Three Months ended			Six Months ended	
	April 30, 2023	January 29, 2023	May 1, 2022	April 30, 2023	May 1, 2022
<b>Reconciliation of GAAP to Non-GAAP Net Income:</b>					
GAAP Net Income	\$ 39,929	\$ 13,986	\$ 27,432	\$ 53,915	\$ 50,496
FX (gain) loss	(10,718)	16,944	(7,844)	6,226	(13,112)
Estimated tax effects of above	2,823	(4,506)	1,947	(1,683)	3,284
Estimated noncontrolling interest effects of above	901	(2,060)	1,543	(1,159)	1,639
Non-GAAP Net Income	<u>\$ 32,935</u>	<u>\$ 24,364</u>	<u>\$ 23,078</u>	<u>\$ 57,299</u>	<u>\$ 42,307</u>
<b>Weighted-average number of common shares outstanding - Diluted</b>	<u>61,507</u>	<u>61,470</u>	<u>61,145</u>	<u>61,489</u>	<u>61,041</u>
<b>Reconciliation of GAAP to Non-GAAP EPS:</b>					
GAAP diluted earnings per share	\$ 0.65	\$ 0.23	\$ 0.45	\$ 0.88	\$ 0.83
Effects of the above adjustments	\$ (0.11)	\$ 0.17	\$ (0.07)	\$ 0.05	\$ (0.14)
Non-GAAP diluted earnings per share	<u>\$ 0.54</u>	<u>\$ 0.40</u>	<u>\$ 0.38</u>	<u>\$ 0.93</u>	<u>\$ 0.69</u>

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# 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*

	Six Months ended		Year ended		Target Model Two-year Horizon
	April 30, 2023	October 31, 2022	October 31, 2021		
GAAP Net cash provided by operating activities	\$ 109,577	\$ 275,187	\$ 150,772		\$ 350,000 - 400,000
Purchases of property, plant and equipment	(57,728)	(112,338)	(109,099)		(100,000)
Free Cash Flow	<u>\$ 51,849</u>	<u>\$ 162,849</u>	<u>\$ 41,673</u>		<u>\$ 250,000 - 300,000</u>

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

	Free Cash Flow
Six Months ended April 30, 2023	\$ 51,849
Year-ended October 31, 2022	162,849
Six Months ended May 1, 2022	(68,480)
LTM April 30, 2023	<u>\$ 146,218</u>

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

	As of		
	April 30, 2023	October 31, 2022	May 1, 2022
Cash and cash equivalents	\$ 367,485	\$ 319,680	\$ 329,282
Current portion of Long-term debt	(7,017)	(10,024)	(12,410)
Long-term Debt	(21,322)	(32,310)	(70,138)
Net Cash	<u>\$ 339,146</u>	<u>\$ 277,346</u>	<u>\$ 246,734</u>