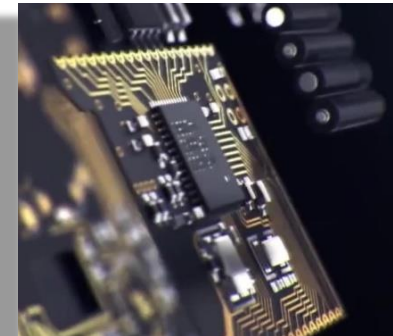
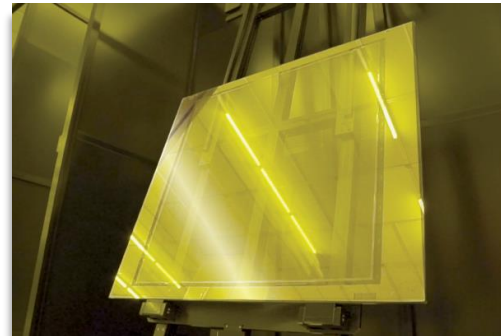
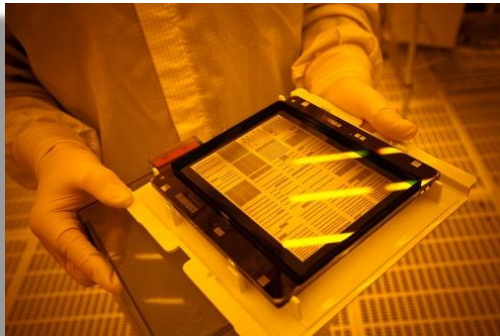


# Photronics, Inc.

Q4 2020 Financial Results Conference Call  
December 9, 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.

# Please Join Us

Photronics' 2020 Investor and Analyst Day (Virtual)

December 14, 2020

10:00 AM ET

Details available on “Investors” section of our website: [www.photronics.com](http://www.photronics.com)

# 2020 Summary

- Revenue was \$609.7M; up 11%
  - 3<sup>rd</sup> consecutive year of record revenue
  - FPD revenue was record \$191.3M, up 32%
  - Revenue of product shipped to China was a record, improving 40%
- Operating income improved 23%
- Generated \$143M in cash from operating activities, invested \$71M in capex, and returned \$34M in cash to shareholders
- China facilities contributed \$79M in revenue with operating loss of \$2M; Hefei was profitable for the year
- 2021 expectations
  - Revenue up high single-digit percent
  - Operating income Y/Y growth similar to 2020

# Q4 2020 Summary

- Revenue was \$149.3M, down 5% Q/Q and 4% Y/Y
  - Demand lower across IC and FPD
  - Revenue to China was flat Q/Q, down 2% Y/Y; IC achieved record China revenue; FPD was down on Huawei-related disruptions
- Net income attributable to Photronics, Inc. shareholders of \$6.5M (\$0.10/share)
- Cash balance grew to \$279M
  - \$65M generated from operating activity
  - \$34M invested in capex
  - \$18M returned to investors through share repurchases
- China facilities contributed \$21M in revenue and \$1M in operating profit
- Next phase of FPD capacity investment on track for tool delivery in 2021

Strategic investments driving long-term, profitable growth

# Income Statement Summary

<u>\$M (except EPS)</u>	<u>Q420</u>	<u>Q320</u>	<u>Q/Q</u>	<u>Q419</u>	<u>Y/Y</u>
Revenue	\$ 149.3	\$ 157.9	(5%)	\$ 156.3	(4%)
Gross Profit	\$ 31.9	\$ 37.7	(16%)	\$ 38.2	(16%)
Gross Margin	21.4%	23.9%	(250 bps)	24.4%	(300 bps)
Operating Income	\$ 15.0	\$ 19.9	(25%)	\$ 21.5	(30%)
Operating Margin	10.0%	12.6%	(260 bps)	13.7%	(370 bps)
Other income (expense)	(\$ 2.9)	(\$ 2.1)	(\$ 0.8)	(\$ 6.1)	\$ 3.2
Income tax provision	\$ 3.5	\$ 4.9	(\$ 1.5)	\$ 2.3	\$ 1.1
Minority interest	\$ 2.1	\$ 2.1	-	\$ 3.3	(\$ 1.2)
Net Income*	\$ 6.5	\$ 10.8	(40%)	\$ 9.7	(33%)
Diluted EPS*	\$ 0.10	\$ 0.17	(\$ 0.07)	\$ 0.15	(\$ 0.05)
Days in quarter	90	91	(1)	91	(1)

\*Net income attributable to Photronics, Inc. shareholders

- Gross and operating margin down on lower revenue (operating leverage)
- China operations contributed \$1M to operating income
- Other income / (expense) primarily due to FX gain / (loss)
- Minority interest includes IC JVs in Taiwan and China

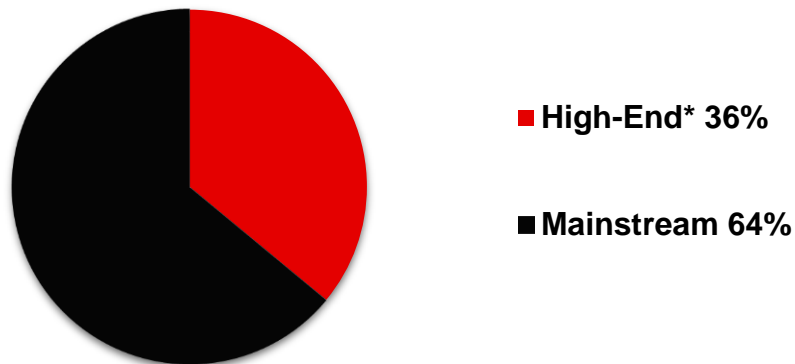
# IC Photomask Revenue

<u>\$M</u>	<u>Q420</u>	<u>Q320</u>	<u>Q/Q</u>	<u>Q419</u>	<u>Y/Y</u>
High-End*	\$ 38.2	\$ 38.7	(1%)	\$ 45.0	(15%)
Mainstream	\$ 67.8	\$ 70.0	(3%)	\$ 67.6	=
Total	\$ 105.9	\$ 108.7	(3%)	\$ 112.5	(6%)

Total may differ due to rounding

- Improvement at some logic foundries in US and Asia; memory demand soft
- Record China revenue in Q420
  - Up 14% Q/Q and 6% Y/Y
  - Represents 25% of Q420 IC revenue
- Outlook
  - Some sectors benefiting from remote work and education
  - Trade uncertainty remains post US election
  - Potential headwinds if governments escalate shelter-in-place mandates

Q420 Revenue by Technology



\*28nm and smaller  
12/8/2020

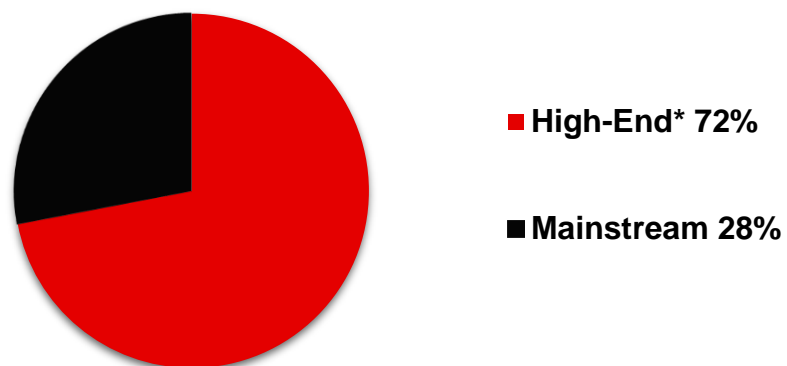
# FPD Photomask Revenue

<u>\$M</u>	<u>Q420</u>	<u>Q320</u>	<u>Q/Q</u>	<u>Q419</u>	<u>Y/Y</u>
High-End*	\$ 31.3	\$ 36.7	(15%)	\$ 25.4	23%
Mainstream	\$ 12.1	\$ 12.6	(4%)	\$ 18.3	(34%)
Total	\$ 43.4	\$ 49.2	(12%)	\$ 43.7	(1%)

Total may differ due to rounding

- High-end down Q/Q on lower AMOLED (Huawei) and G10.5+
- Strong LCD market causes panel makers to run current product, limiting new design activity
- China revenue
  - Down 12% Q/Q and 10% Y/Y
  - Represents 56% of Q420 FPD revenue
- Outlook
  - Dynamic market environment
  - Recovery underway as supply chain adjusts to Huawei restrictions

Q420 Revenue by Technology



\*≥G10.5, AMOLED and LTPS



# Select Financial Data

<u>\$M</u>	<u>Q420</u>	<u>Q320</u>	<u>Q419</u>
Cash	\$ 279	\$ 261	\$ 207
Debt	\$ 69	\$ 53	\$ 53
Net Cash*	\$ 210	\$ 208	\$ 154
Operating Cash Flow	\$ 65	\$ 17	\$ 45
Capital Expenditures	\$ 34	\$ 7	\$ 18
Government Incentives for Capital Equipment	-	-	\$ 9
Share repurchase	\$ 18	-	\$ 11

- Debt is mostly local China borrowing to finance fixed assets, working capital and VAT
- 2020 capex was \$71M; expect 2021 capex to be ~\$100M
- 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

# Q121 Guidance

Revenue (\$M)	\$145 - \$155
Operating Margin	8% - 12%
Taxes (\$M)	\$4 - \$5
EPS	\$0.07 - \$0.14
Diluted Shares (M)	~64.5

- Positive industry demand trends due to remote work and learning offset by typical seasonality
- Outlook clouded by geopolitical uncertainty
  - Coronavirus reaction
  - US/China trade policies
- We remain focused on expanding margins and improving cash flows

# Thank you for your interest!

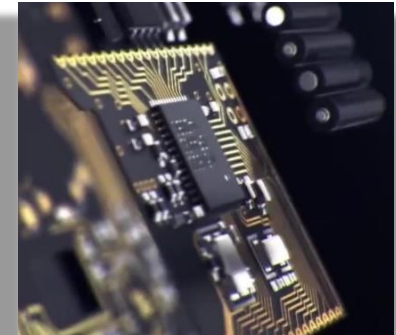
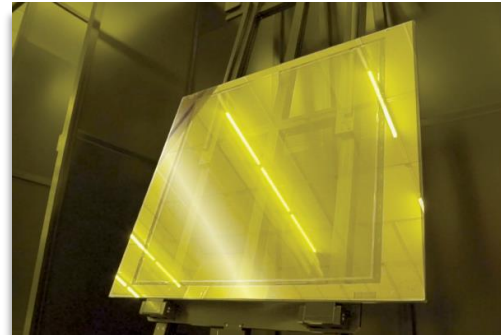
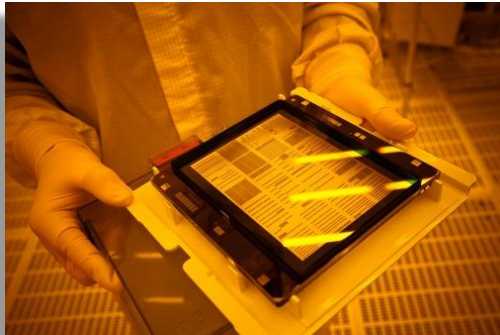
For Additional Information:

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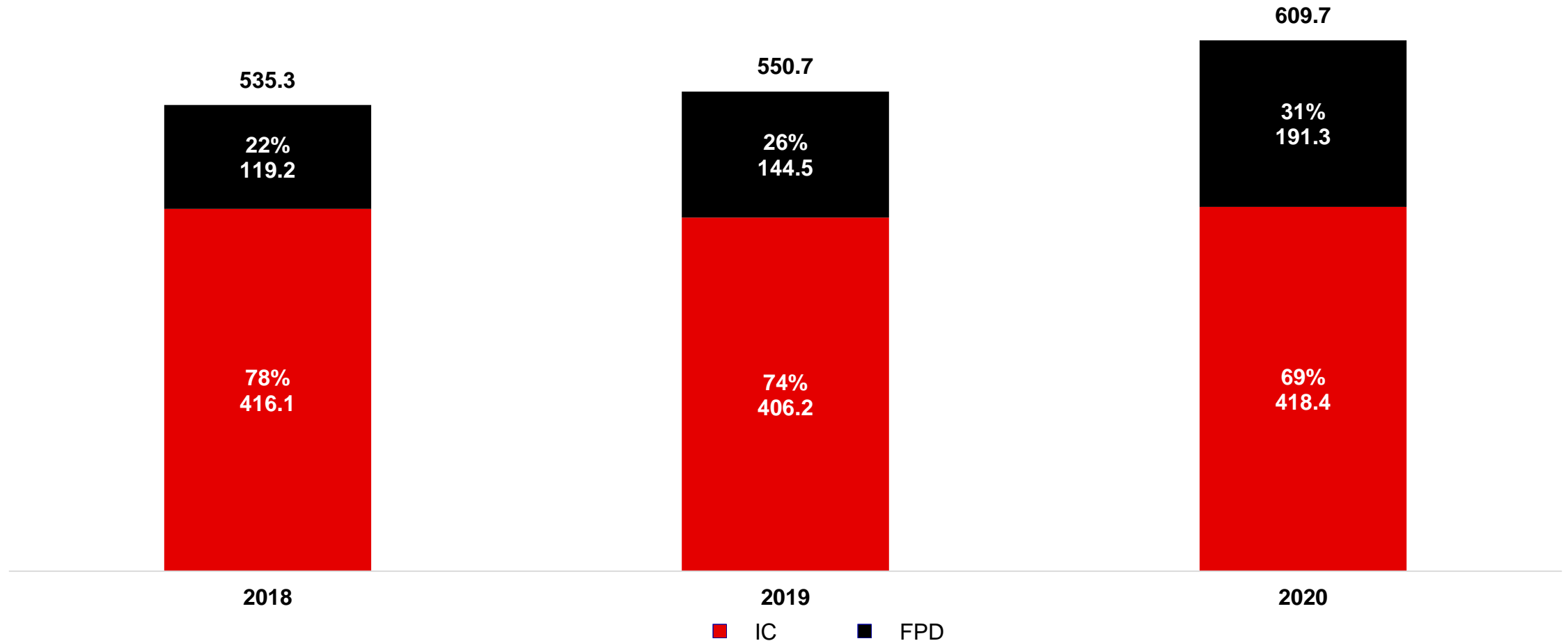
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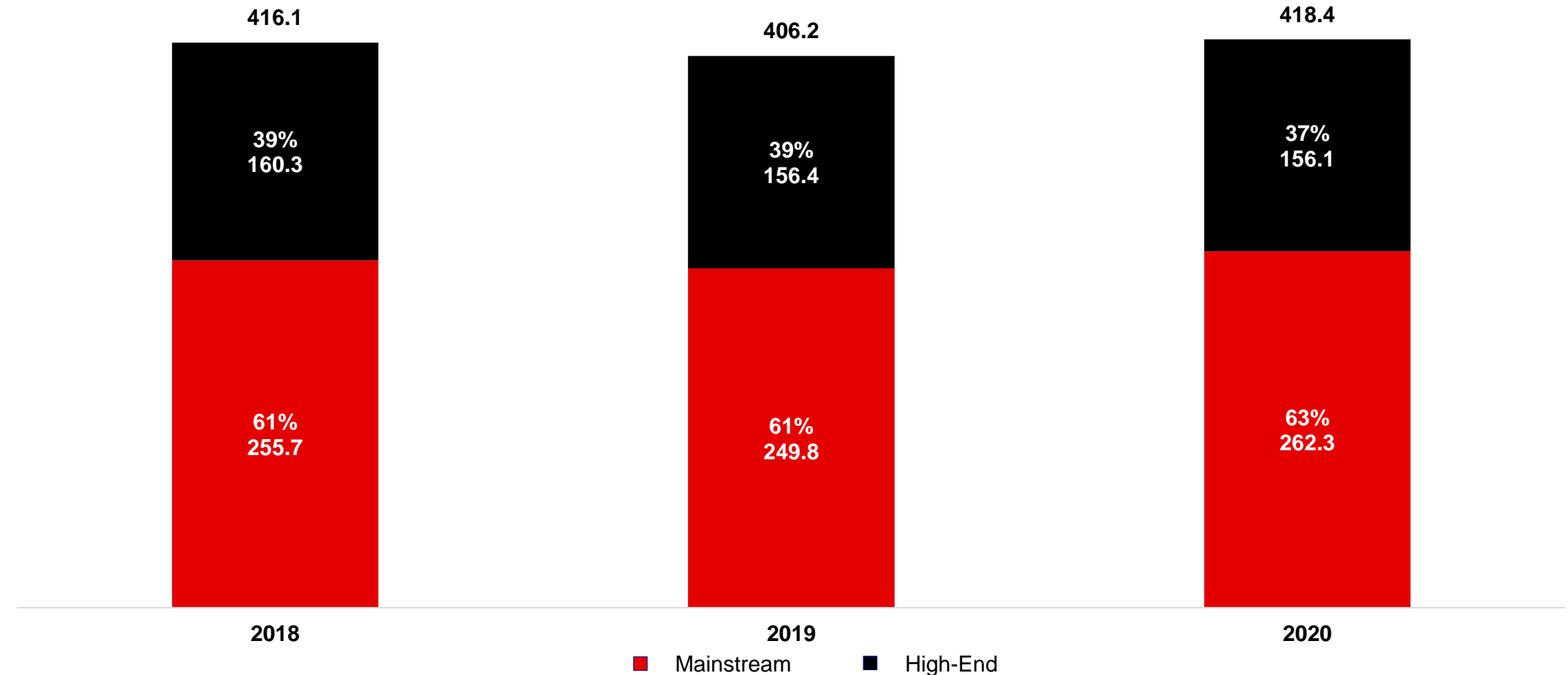
# Appendix

# Total Revenue



Total may differ due to rounding

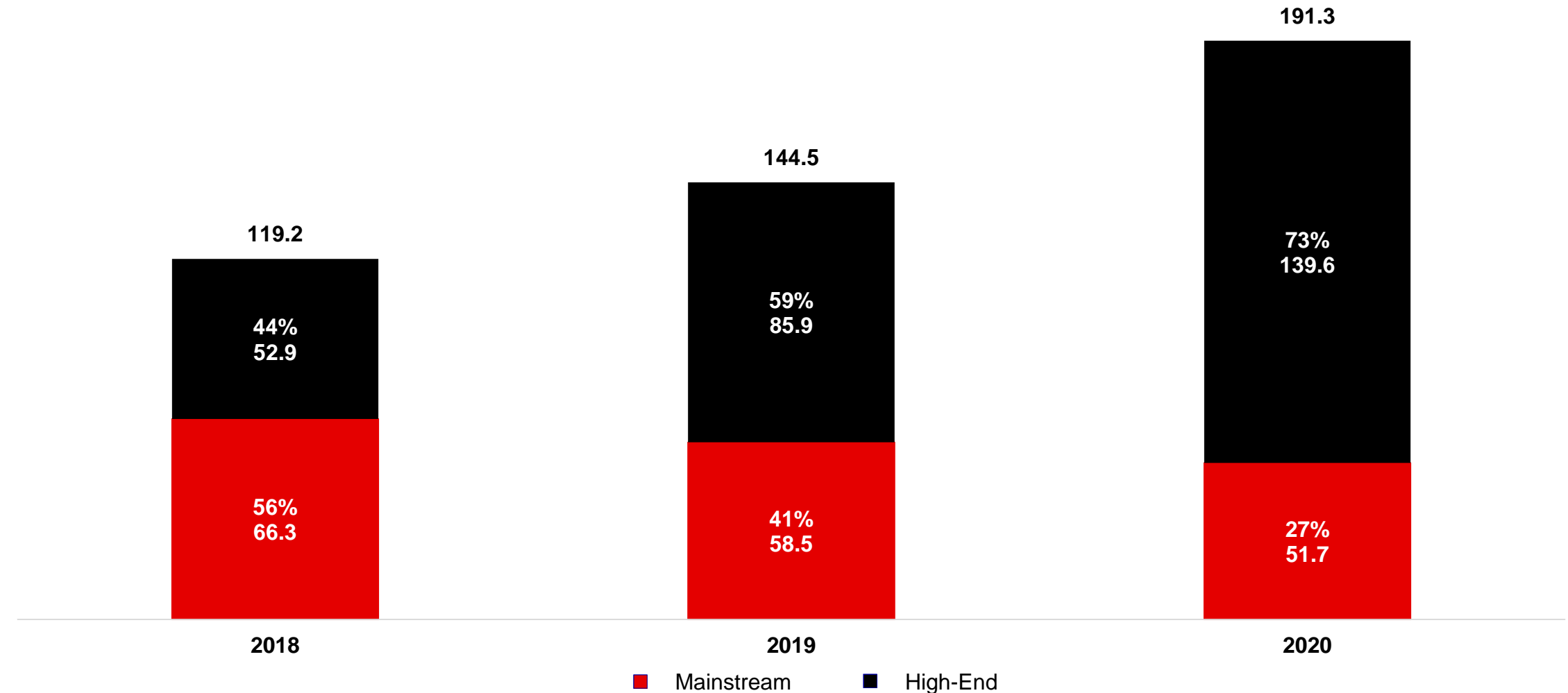
# IC Photomask Revenue



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

■ Mainstream ■ High-End

# FPD Photomask Revenue



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

■ Mainstream ■ High-End