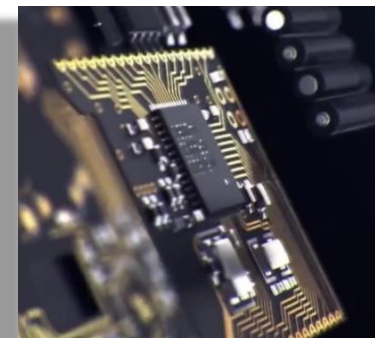
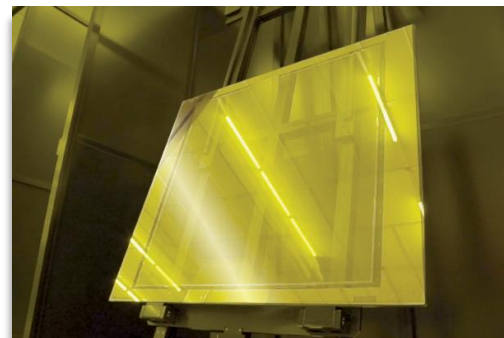
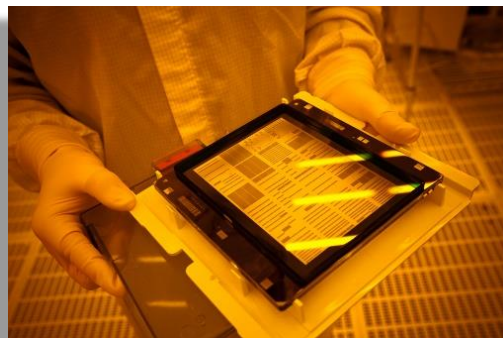


# Photronics, Inc.

Q4 2022 Financial Results Conference Call  
December 13, 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.

# 2022 Summary

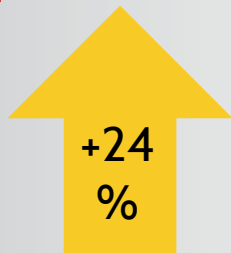
Revenue  
was a record

**\$824.5M**

IC: +29%

FPD: +14%

To China: +55%



+24  
%

**\$320M** Cash  
balance

**\$ 39M** S-T  
Investments

**\$275M** generated from operating activity

**\$112M** invested in capex

**\$166M** in free cash flow\*

- Fifth consecutive year of record revenue, as customers continue to trust us for their photomask needs
- Gross and operating margins in target model range during second half of 2022
- Net income attributable to Photronics, Inc. shareholders of \$118.8M (\$1.94/share)

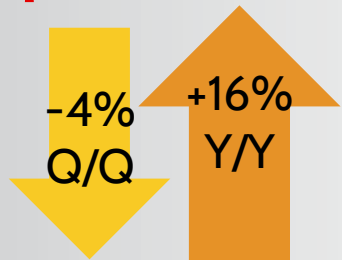
**5<sup>th</sup> consecutive year of record revenue, demonstrating effectiveness of investment strategy**

\*Free Cash Flow is a non-GAAP term; see reconciliation included in this presentation

12/13/2022

# Q4 2022 Summary

Revenue was  
**\$210.3M**



IC: -3% Q/Q, +25% Y/Y

FPD: -8% Q/Q, -3% Y/Y

To China: +8% Q/Q; +39% Y/Y

**\$320M** Cash  
balance

**\$ 39M** S-T  
Investments

**\$79M** generated from operating activity

**\$66M** invested in capex

**\$42M** total long-term debt; reduced debt **\$69M**  
Y/Y

- Net income attributable to Photronics, Inc. shareholders of \$37.1M (\$0.60/share)
- Investing in mainstream IC capacity to capitalize on market growth trends

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

# Investment Strategy

## Revenue Growth

- Win lion's share of the impressive growth in TAM for China 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 growth in “legacy foundry” business

## Margin Expansion

- Sustainable pricing strength in high-end and mainstream IC
- Optimize asset tool set to match end-market demand
- Increasing benefit from operating leverage

## Explore Strategic Partnerships

# Delivering on Updated Target Model

<u>\$M (except EPS)</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Illustrative FY 24 Target Model</u>		
Revenue	\$610	\$664	\$825	\$900	\$950	\$975
Gross Margin	22%	25%	36%	38-40%	40-42%	42-43%
Operating Margin	10%	14%	26%	28-30%	30-32%	32-33%
Operating Cash Flow	\$143	\$151	\$275	\$350-375	\$365-380	\$375-400
Free Cash Flow*	\$77	\$47	\$166	\$250-275	\$235-280	\$275-300
Diluted EPS	\$0.52	\$0.89	\$1.94	\$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

# Income Statement Summary

\$M (except EPS)	Q422	Q322	Q/Q	Q421	Y/Y
Revenue	\$ 210.3	\$ 219.9	(4%)	\$ 181.3	16%
Gross Profit	\$ 80.3	\$ 83.9	(4%)	\$ 51.9	55%
Gross Margin	38.2%	38.1%	10 bps	28.7%	950 bps
Operating Income	\$ 60.5	\$ 63.7	(5%)	\$ 33.5	81%
Operating Margin	28.8%	29.0%	(20 bps)	18.5%	1,030 bps
Non-operating income	\$ 10.8	\$ 3.6	\$ 7.2	\$ 3.8	\$ 7.0
Income tax provision	\$ 16.1	\$ 18.1	(\$ 2.0)	\$ 8.7	\$ 7.4
Minority interest	\$ 18.2	\$ 18.0	\$ 0.2	\$ 8.8	\$ 9.4
Net income*	\$ 37.1	\$ 31.2	19%	\$ 19.8	87%
Diluted EPS*	\$ 0.60	\$ 0.51	\$ 0.09	\$ 0.33	\$ 0.27
Days in quarter	92	91	1	91	1

- Margins essentially flat Q/Q as cost management and IC price realization offset impact of lower revenue
- Non-operating income primarily consists of unrealized FX gain
- Minority interest from strong net income of IC JVs in Taiwan and China

\*Net income attributable to Photronics, Inc. shareholders

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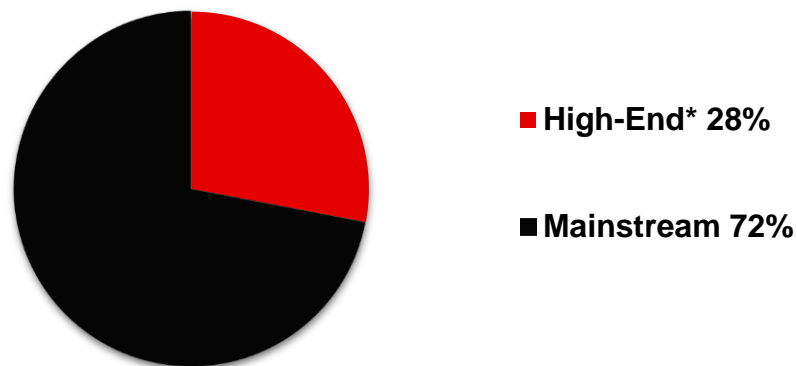
# IC Photomask Revenue

\$M	Q422	Q322	Q/Q	Q421	Y/Y
High-End*	\$ 44.3	\$ 52.7	(16%)	\$ 42.6	4%
Mainstream	\$ 111.9	\$ 108.6	3%	\$ 82.9	35%
Total	\$ 156.2	\$ 161.3	(3%)	\$ 125.4	25%

Total may differ due to rounding

- High-end declined Q/Q on lower foundry/logic demand in Asia
- Continued mainstream growth from chip proliferation in consumer products, IoT, 5G, and Crypto supporting higher ASPs
- Outlook
  - New designs by customers to gain market share and support technology roadmap
  - Regionalization driving investments for global chip capacity
  - Expanding ASPs on positive supply/demand balance

Q422 Revenue by Technology



\*28nm and smaller  
12/13/2022

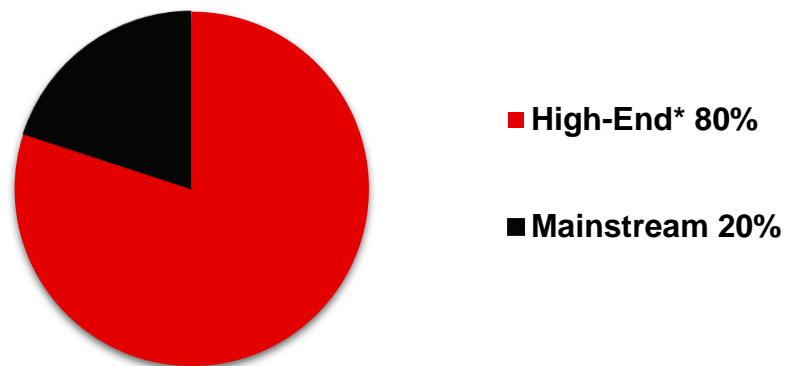
# FPD Photomask Revenue

<u>\$M</u>	<u>Q422</u>	<u>Q322</u>	<u>Q/Q</u>	<u>Q421</u>	<u>Y/Y</u>
High-End*	\$ 43.4	\$ 50.7	(14%)	\$ 41.0	6%
Mainstream	\$ 10.6	\$ 8.0	33%	\$ 14.9	(28%)
Total	\$ 54.1	\$ 58.7	(8%)	\$ 55.8	(3%)

Total may differ due to rounding

- Lower Q/Q high-end demand for mobile displays and G10.5+ for ultra-large screen TVs
- Mainstream increased sequentially as we filled capacity from high-end decline
- Outlook
  - Mobile demand should recover with rollout of new designs
  - Technology development drives demand for higher-value masks

Q422 Revenue by Technology



\*≥G10.5, AMOLED and LTPS

12/13/2022

# Select Financial Data

<u>\$M</u>	<u>Q422</u>	<u>Q322</u>	<u>Q421</u>
Cash	\$ 359	\$ 381	\$ 277
Debt	\$ 42	\$ 57	\$ 112
Net Cash*	\$ 316	\$ 324	\$ 165
Operating Cash Flow	\$ 79	\$ 93	\$ 38
Capital Expenditures	\$ 66	\$ 12	\$ 17
Share repurchase	-	-	\$ 13

- Cash includes cash equivalents and short-term investments.
- Debt primarily comprised of US equipment leases and local China loans; reduced debt \$69M in 2022
- Full-year capex was \$109M (net of gov't subsidies), mostly mainstream IC capacity & facility expansion
- Balance sheet able to fund investments, share repurchases, and strategic M&A opportunities
- Total share repurchases of \$68M under current (Sep 2020) \$100M authorization

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

12/13/2022

# Q1 2023 Guidance

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<b>Revenue (\$M)</b>	<b>\$203 - \$213</b>
<b>Operating Margin</b>	<b>25% - 29%</b>
<b>Taxes (\$M)</b>	<b>\$12 - \$15</b>
<b>Diluted EPS</b>	<b>\$0.40 - \$0.48</b>
<b>Diluted Shares (M)</b>	<b>~61</b>
<b>Full-year Capex (M)</b>	<b>~\$130</b>

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- Incorporation of chips in IoT, 5G, Crypto and consumer products
  - Remote work and learning
  - Advanced display technologies
  - Growing nationalism spurs regional investments in capacity
- Outlook clouded by geopolitical uncertainty, rising inflation and supply chain challenges
- Driving margin expansion and cash flows to achieve long-term target model

# Thank you for your interest!

For Additional Information:

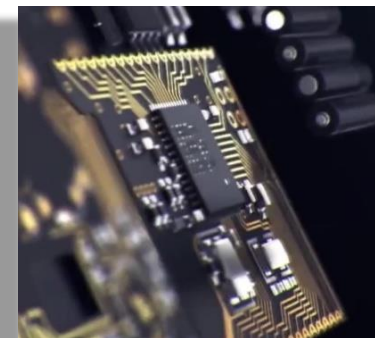
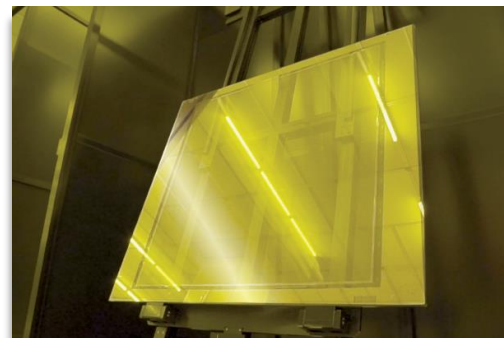
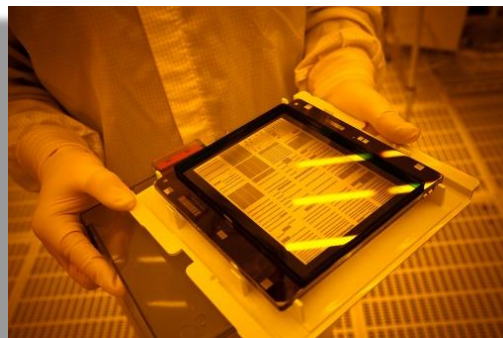
Please contact

John P. Jordan

Executive Vice President & CFO

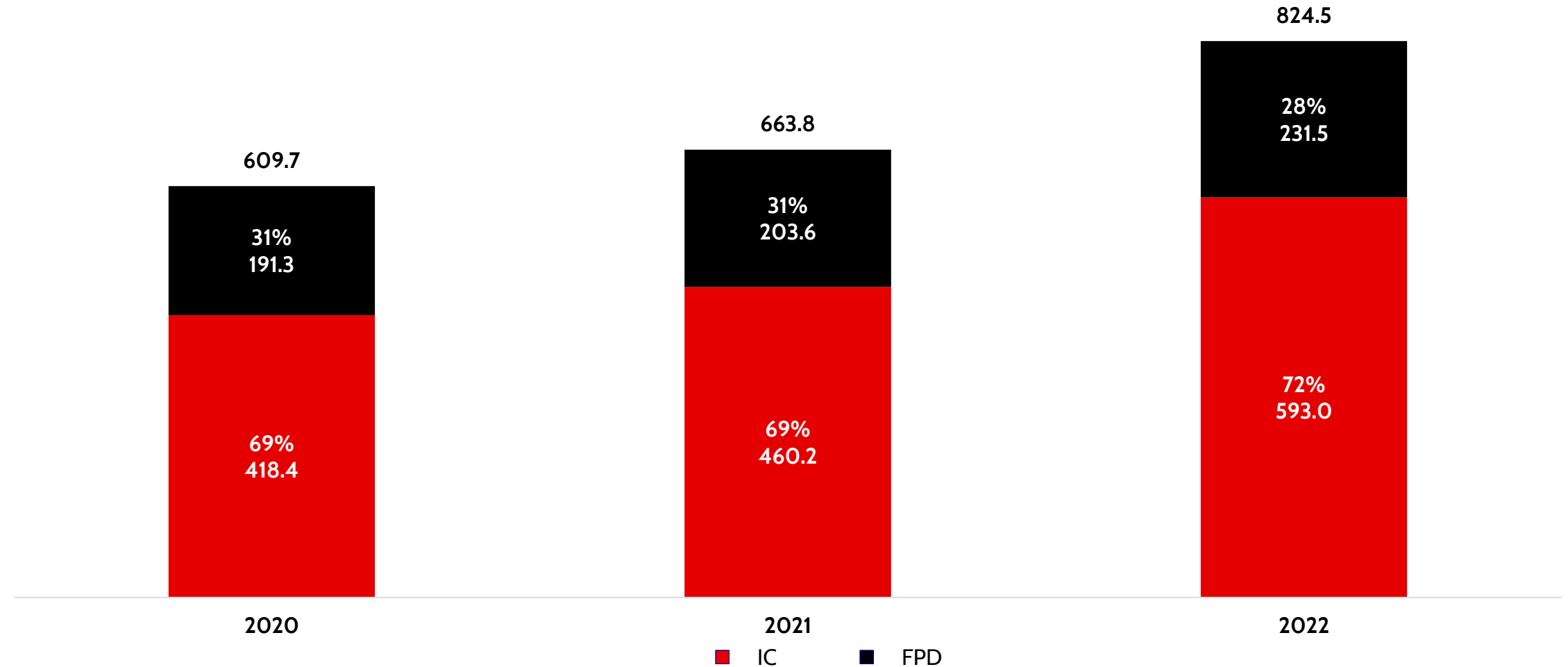
203.740.5671

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



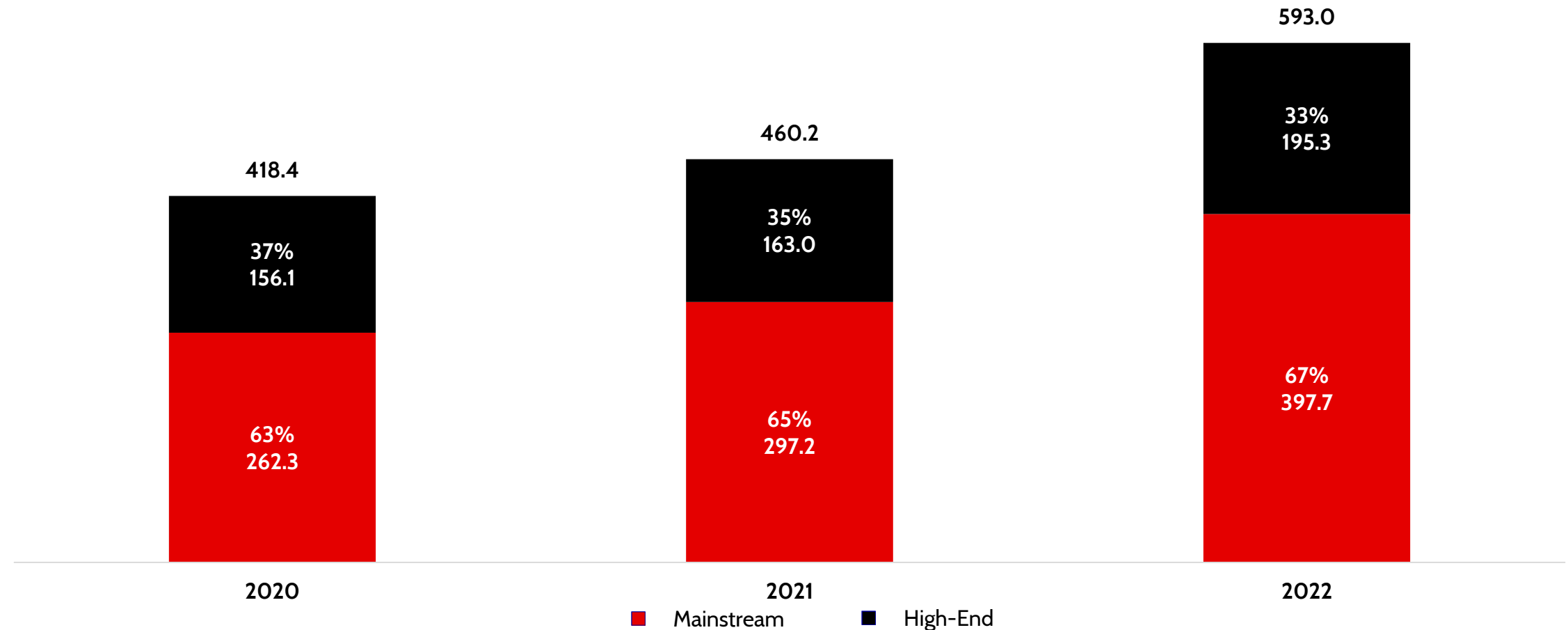
# Appendix

# Total Revenue



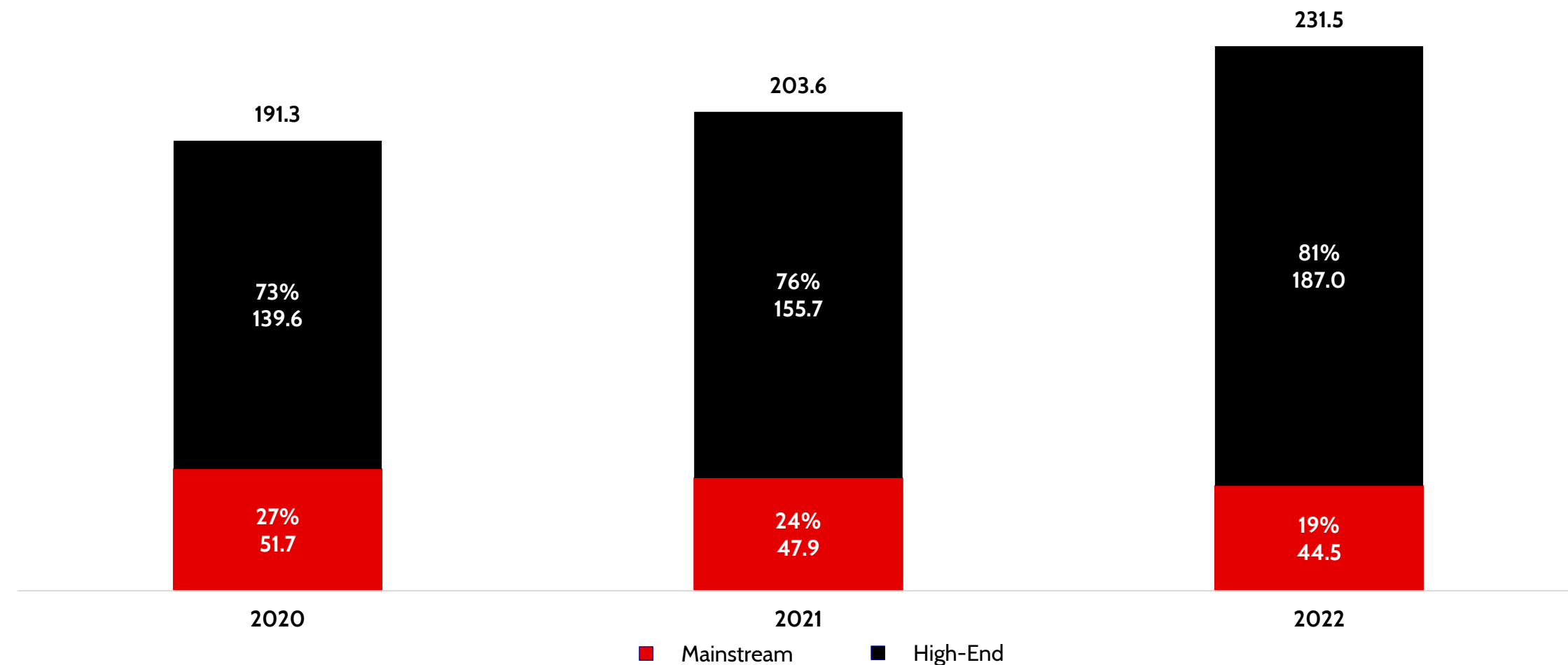
Total may differ due to rounding

# IC Photomask Revenue



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

# FPD Photomask Revenue



High-End: ≥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*

	Year ended				Target Model Two-year Horizon
	October 31, 2022	October 31, 2021	October 31, 2020	October 31, 2019	
GAAP Net cash provided by operating activities	\$ 275,187	\$ 150,772	\$ 143,046	\$ 68,386	\$ 350,000 - 400,000
Purchases of property, plant and equipment	(112,338)	(109,099)	(70,815)	(178,375)	(100,000)
Government Incentives	3,615	5,775	5,263	27,003	-
Free Cash Flow	<u>\$ 166,464</u>	<u>\$ 47,448</u>	<u>\$ 77,494</u>	<u>\$ (82,986)</u>	<u>\$ 250,000 - 300,000</u>

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

	As of	
	October 31, 2022	October 31, 2021
Cash and cash equivalents	\$ 319,680	\$ 276,670
Short-term investments	38,820	-
Current portion of Long-term debt	(10,024)	(22,248)
Long-term Debt	(32,310)	(89,446)
Net Cash	<u>\$ 316,166</u>	<u>\$ 164,976</u>