

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)

February 24, 2021

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 February 24, 2021, Photonics, Inc. issued a press release reporting first quarter fiscal 2021 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 February 24, 2021.
 - [99.2](#) Condensed Consolidated Statements of Income.
 - [99.3](#) Condensed Consolidated Balance Sheets.
 - [99.4](#) Condensed Consolidated Statements of Cash Flows.
 - [99.5](#) Photonics Q1 2021 Financial Results Conference Call February 24, 2021 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: February 24, 2021



Press Release

For Further Information:
R. Troy Dewar, CFA
Vice President, Investor Relations
(203) 740-5610
tdewar@photronics.com

Photronics Reports First Quarter Fiscal 2021 Results

- Revenue was \$152.1 million, up 2% sequentially and down 5% year-over-year
- Net income attributable to Photronics, Inc. shareholders was \$8.0 million, or \$0.13 per diluted share
- Cash provided by operating activities was \$26.3 million, capex was \$17.5 million, share repurchases were \$13.2 million, and ending cash balance was \$278.5 million
- Second quarter 2021 guidance: revenue between \$153 and \$162 million with diluted EPS between \$0.14 and \$0.20

BROOKFIELD, Conn. February 24, 2021 (GLOBE NEWSWIRE) — Photronics, Inc. (NASDAQ:PLAB), a worldwide leader in photomask technologies and solutions, today reported financial results for its fiscal 2021 first quarter ended January 31, 2021.

First quarter revenue was \$152.1 million, up 2% compared with the previous quarter and down 5% compared with the same quarter last year. Integrated circuit (IC) revenue was \$105.0 million, down 1% sequentially and 2% compared with the first quarter of last year. Flat panel display (FPD) revenue was \$47.1 million, up 9% compared with last quarter and down 11% compared with the same period last year.

Net income attributable to Photronics, Inc. shareholders was \$8.0 million, or \$0.13 per diluted share, compared with \$6.5 million, or \$0.10 per diluted share, for the fourth quarter of 2020 and \$10.3 million, or \$0.16 per diluted share, for the first quarter of 2020.

"We achieved sequential revenue growth in the first quarter, a period that is typically down seasonally, due to strong demand for mobile displays and a recovery in memory," said Peter Kirlin, chief executive officer. "Our diverse and broad industry exposure enabled us to perform well even as mask demand was somewhat muted in certain sectors as foundries responded to semiconductor shortages, limiting new design activity. The outlook for mask demand in 2021 is positive as additional capacity is brought on line by our customers. Our financial position remains strong and we anticipate completing the next phase of our FPD investment in the second half of fiscal 2021. We expect to grow 2021 revenue by high single-digit percent with an increase in operating profit similar to the 23% increase achieved in 2020."

Second Quarter 2021 Guidance

For the second quarter of 2021, Photronics expects revenue to be between \$153 million and \$162 million, and net income attributable to Photronics, Inc. shareholders to be between \$0.14 and \$0.20 per diluted share.

Conference Call

A conference call to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, February 24, 2021. The call can be accessed by logging onto Photronics' website at 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 over 50 years. As of October 31, 2020, the company had 1,728 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.

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 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, compliance with local, State and Federal laws, rules and regulations including, but not limited to, import and export controls, tariffs and penalties, fines and violations related thereto, 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.

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

	Three Months Ended		
	January 31, 2021	October 31, 2020	February 2, 2020
Revenue	\$ 152,067	\$ 149,286	\$ 159,736
Cost of goods sold	121,538	117,401	125,134
Gross profit	30,529	31,885	34,602
Operating Expenses:			
Selling, general and administrative	14,053	12,790	14,219
Research and development	4,710	4,110	4,080
Total Operating Expenses	18,763	16,900	18,299
Operating income	11,766	14,985	16,303
Other income (expense), net	680	(2,937)	3,697
Income before income tax provision	12,446	12,048	20,000
Income tax provision	2,937	3,469	9,072
Net income	9,509	8,579	10,928
Net income attributable to noncontrolling interests	1,473	2,119	628
Net income attributable to Photronics, Inc. shareholders	\$ 8,036	\$ 6,460	\$ 10,300
Earnings per share:			
Basic	\$ 0.13	\$ 0.10	\$ 0.16
Diluted	\$ 0.13	\$ 0.10	\$ 0.16
Weighted-average number of common shares outstanding:			
Basic	62,475	64,193	65,554
Diluted	63,005	64,768	66,449

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

	<u>January 31, 2021</u>	<u>October 31, 2020</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 278,539	\$ 278,665
Accounts receivable	139,708	134,470
Inventories	56,407	57,269
Other current assets	31,458	29,735
Total current assets	506,112	500,139
Property, plant and equipment, net	672,398	631,475
Intangible assets, net	2,383	3,437
Other assets	51,169	53,131
Total assets	<u>\$ 1,232,062</u>	<u>\$ 1,188,182</u>
Liabilities and Equity		
Current liabilities:		
Debt	\$ 21,641	\$ 13,678
Accounts payable and accrued liabilities	123,890	129,261
Total current liabilities	145,531	142,939
Long-term debt	79,984	54,980
Other liabilities	28,051	27,997
Photronics, Inc. shareholders' equity	815,502	804,962
Noncontrolling interests	162,994	157,304
Total equity	<u>978,496</u>	<u>962,266</u>
Total liabilities and equity	<u>\$ 1,232,062</u>	<u>\$ 1,188,182</u>

PHOTRONICS, INC.
Condensed Consolidated Statements of Cash Flows

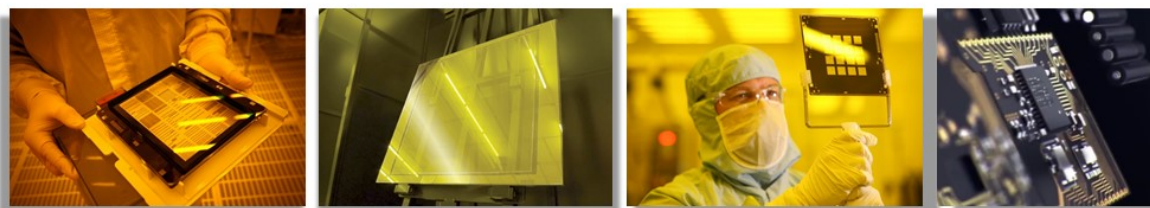
(in thousands)
(Unaudited)

	Three Months Ended	
	January 31, 2021	February 2, 2020
Cash flows from operating activities:		
Net income	\$ 9,509	\$ 10,928
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,724	24,626
Share-based compensation	1,301	1,356
Changes in operating assets, liabilities and other	(8,247)	(6,125)
Net cash provided by operating activities	<u>26,287</u>	<u>30,785</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(17,532)	(13,807)
Government incentives	397	2,417
Other	(61)	(139)
Net cash used in investing activities	<u>(17,196)</u>	<u>(11,529)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	6,205	1,140
Purchase of treasury stock	(13,209)	(11,000)
Repayments of debt	(7,796)	(389)
Proceeds from share-based arrangements	765	2,886
Other	(315)	(248)
Net cash used in financing activities	<u>(14,350)</u>	<u>(7,611)</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	5,195	149
Net (decrease) increase in cash, cash equivalents, and restricted cash	(64)	11,794
Cash, cash equivalents, and restricted cash, beginning of period	<u>281,602</u>	<u>209,291</u>
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 281,538</u>	<u>\$ 221,085</u>



Photronics, Inc.

Q1 2021 Financial Results Conference Call
February 24, 2021



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.

Q1 2021 Summary

- Revenue was \$152.1M, up 2% Q/Q and down 5% Y/Y
 - Sequential FPD growth offsets lower IC demand
 - Revenue to China was down 3% Q/Q primarily due to soft high-end logic demand
- Net income attributable to Photronics, Inc. shareholders of \$8.0M (\$0.13/share)
- Cash balance \$279M
 - \$26M generated from operating activity
 - \$18M invested in capex
 - \$13M returned to investors through share repurchases
- Next phase of FPD capacity investment on track for tool delivery in 2021

Strategic investments driving long-term, profitable growth

Income Statement Summary

\$M (except EPS)	Q121	Q420	Q/Q	Q120	Y/Y
Revenue	\$ 152.1	\$ 149.3	2%	\$ 159.7	(5%)
Gross Profit	\$ 30.5	\$ 31.9	(4%)	\$ 34.6	(12%)
Gross Margin	20.1%	21.4%	(130 bps)	21.7%	(160 bps)
Operating Income	\$ 11.8	\$ 15.0	(21%)	\$ 16.3	(28%)
Operating Margin	7.7%	10.0%	(230 bps)	10.2%	(250 bps)
Other income (expense)	\$ 0.7	(\$ 2.9)	\$ 3.6	\$ 3.7	(\$ 3.0)
Income tax provision	\$ 2.9	\$ 3.5	(\$ 0.5)	\$ 9.1	(\$ 6.1)
Minority interest	\$ 1.5	\$ 2.1	(\$ 0.6)	\$ 0.6	\$ 0.8
Net Income*	\$ 8.0	\$ 6.5	24%	\$ 10.3	(22%)
Diluted EPS*	\$ 0.13	\$ 0.10	\$ 0.03	\$ 0.16	(\$ 0.03)
Days in quarter	92	90	2	94	(2)

*Net income attributable to Photonics, Inc. shareholders

2/24/2021

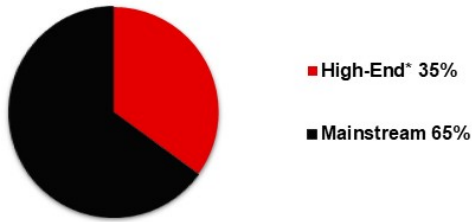
- Gross margin lower due to unfavorable product mix
- Other income / (expense) primarily due to FX gain / (loss)
- Minority interest includes IC JVs in Taiwan and China

IC Photomask Revenue

\$M	Q121	Q420	Q/Q	Q120	Y/Y
High-End*	\$ 36.8	\$ 38.2	(4%)	\$ 41.0	(10%)
Mainstream	\$ 68.2	\$ 67.8	1%	\$ 65.9	3%
Total	\$ 105.0	\$ 105.9	(1%)	\$ 107.0	(2%)

Total may differ due to rounding

Q121 Revenue by Technology



*28nm and smaller
2/24/2021

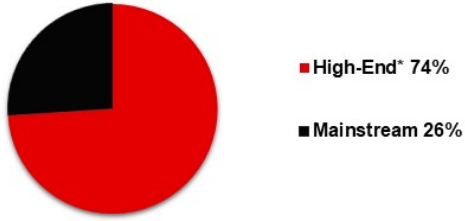
- Memory recovery and mainstream growth offset by soft high-end logic demand
- China revenue down 5% Q/Q and 2% Y/Y; represents 24% of IC revenue
- Outlook
 - Some sectors benefiting from remote work and education
 - Mainstream demand strong
 - Industry responding to chip shortage
 - Macro risk from trade policies and shelter-in-place mandates

FPD Photomask Revenue

\$M	Q121	Q420	Q/Q	Q120	Y/Y
High-End*	\$ 34.6	\$ 31.3	11%	\$ 39.8	(13%)
Mainstream	\$ 12.5	\$ 12.1	3%	\$ 13.0	(4%)
Total	\$ 47.1	\$ 43.4	9%	\$ 52.8	(11%)

Total may differ due to rounding

Q121 Revenue by Technology



*≥G10.5, AMOLED and LTFS
2/24/2021

- High-end improved Q/Q on strong AMOLED
- Strong LCD market causes panel makers to run current products, limiting new design activity
- China revenue down 1% Q/Q and 27% Y/Y; represents 51% of FPD revenue
- Outlook
 - Dynamic market environment
 - Smartphone recovery should continue as supply chain adjusts to Huawei ban
 - Technology development drives demand for higher-value masks

Select Financial Data

\$M	Q121	Q420	Q120
Cash	\$ 279	\$ 279	\$ 218
Debt	\$ 98	\$ 69	\$ 54
Net Cash*	\$ 180	\$ 210	\$ 164
Operating Cash Flow	\$ 26	\$ 65	\$ 31
Capital Expenditures	\$ 18	\$ 34	\$ 14
Government Incentives for Capital Equipment	\$ 0.4	-	\$ 2
Share repurchase	\$ 13	\$ 18	\$ 11

*Net cash defined as cash and cash equivalents less long-term borrowings (including current portion), as reported in accordance with GAAP
2/24/2021

- Debt is US equipment lease and local China loans
- Expect 2021 capex to be ~\$100M; completing initial China IC investment and next phase of FPD investment
- Total share repurchases of \$31M under current \$100M authorization
- Balance sheet able to fund investments, share repurchases, and strategic M&A opportunities

Q221 Guidance

Revenue (\$M)	\$153 - \$162
Operating Margin	8% - 12%
Taxes (\$M)	\$3 - \$4
EPS	\$0.14 - \$0.20
Diluted Shares (M)	~63

- Positive industry demand trends
 - Remote work and learning
 - Made in China 2025
 - Advanced display technologies
- Outlook clouded by geopolitical uncertainty
 - Shelter-in-place mandates
 - US/China trade policies
- We remain focused on expanding margins and improving cash flows

Thank you for your interest!

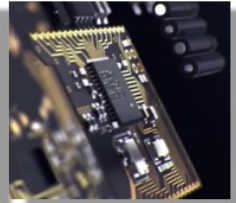
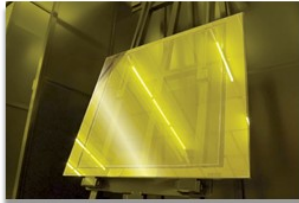
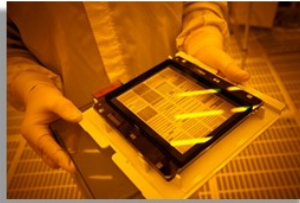
For Additional Information:

R. Troy Dewar, CFA

Vice President, Investor Relations

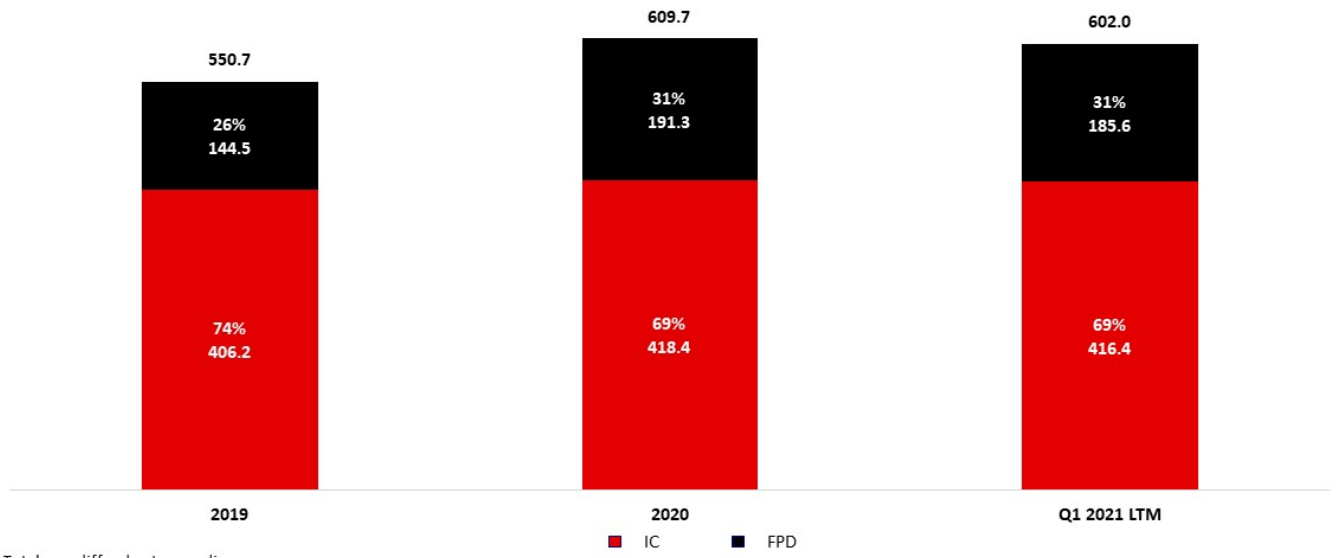
203.740.5610

tdewar@photonics.com



Appendix

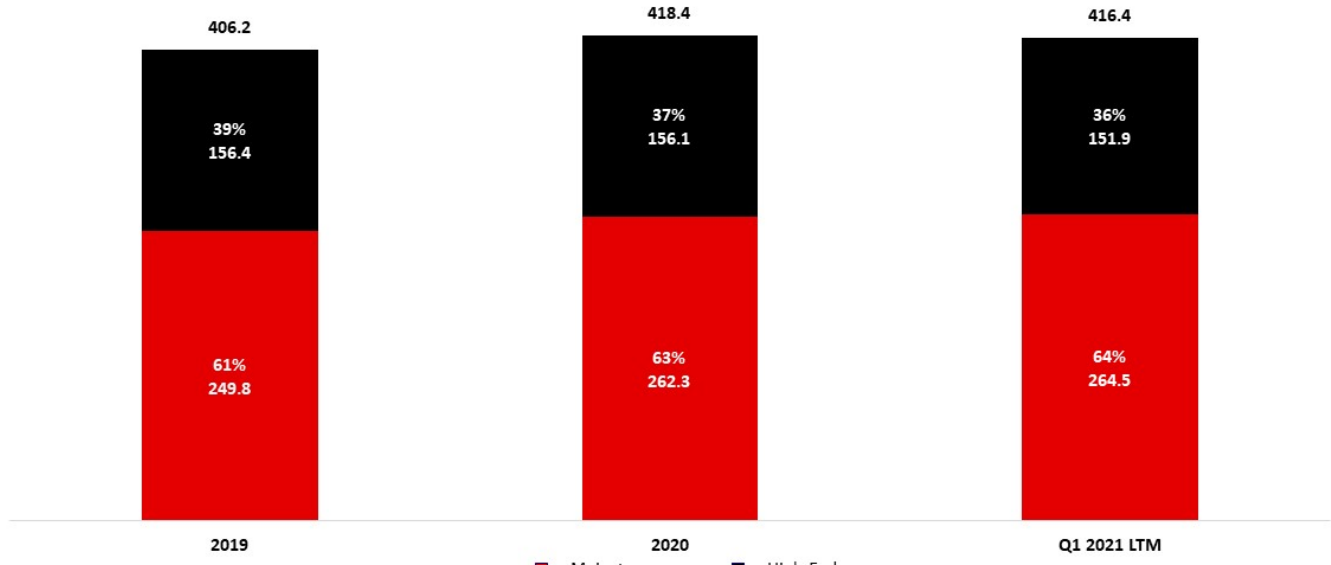
Total Revenue



Total may differ due to rounding

2/24/2021

IC Photomask Revenue

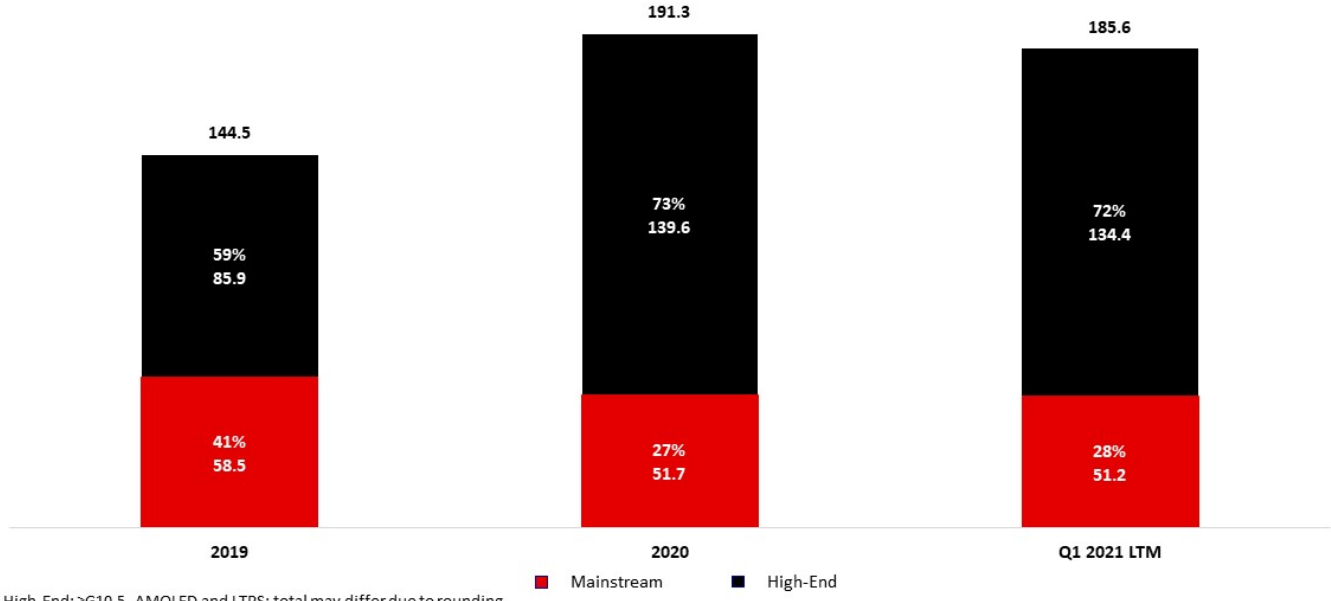


High-End: 28nm and smaller; total may differ due to rounding

■ Mainstream ■ High-End

2/24/2021

FPD Photomask Revenue



2/24/2021