

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) August 30, 2022

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 August 30, 2022, Photonics, Inc. (the “Company”) issued a press release reporting third quarter fiscal 2022 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.

On August 30, 2022, 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 July 31, 2022 may be disclosed. This information is set forth in Exhibit 99.5.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

[99.1](#) Press Release dated August 30, 2022.

[99.2](#) Condensed Consolidated Statements of Income.

[99.3](#) Condensed Consolidated Balance Sheets.

[99.4](#) Condensed Consolidated Statements of Cash Flows.

[99.5](#) Photonics Q3 2022 Financial Results Conference Call August 30, 2022 slides.

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: August 30, 2022



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

Press Release

Photronics Reports Third Quarter Fiscal 2022 Results

BROOKFIELD, Conn. August 30, 2022 (GLOBE NEWSWIRE) — Photronics, Inc. (NASDAQ:PLAB), a worldwide leader in photomask technologies and solutions, today reported financial results for its fiscal 2022 third quarter ended July 31, 2022.

“We achieved our sixth consecutive quarter of record revenue due to strong end market demand, favorable pricing dynamics, and outstanding performance by the entire organization,” said Frank Lee, chief executive officer. “Customers continue to place their trust in Photronics to support their technology roadmap by supplying the high-quality photomasks required for innovative designs that meet consumer demand. We are expanding capacity and growing volumes while controlling costs and capitalizing on operating leverage to deliver higher margins. We are also taking pricing action where appropriate to capture the full value that we are delivering to our customers. Our cash balance grew as we generated strong cash flow from operations, positioning us for continued investments in growth to expand our market-leading presence. I am proud of how the global Photronics team has responded as we look to close out another record year.”

Third Quarter 2022 Results

- Revenue was \$219.9 million, up 8% sequentially and 29% compared with the same period of last year
- Net income attributable to Photronics, Inc. shareholders was \$31.2 million (\$0.51 per diluted share), compared with \$27.4 million (\$0.45 per diluted share) in the second quarter of 2022 and \$17.1 million (\$0.28 per diluted share) in the third quarter 2021
- Integrated circuit (IC) revenue was \$161.3 million, up 11% sequentially and up 37% compared with the same period of last year
- Flat panel display (FPD) revenue was \$58.7 million, flat sequentially and up 11% compared with the same period of last year
- Cash balance increased to \$381 million with \$93 million generated from operating activities and \$12 million invested in growth through capital expenditures

Fourth Quarter 2022 Guidance

For the fourth quarter of 2022, Photronics expects revenue to be between \$205 million and \$215 million and net income attributable to Photronics, Inc. shareholders to be between \$0.44 and \$0.52 per diluted share.

Webcast

A webcast to discuss these results is scheduled for 8:30 a.m. Eastern time on Tuesday, August 30, 2022. The event can be accessed through the Investors page of Photronics' website (www.photronics.com) or directly at <https://register.vevent.com/register/B15f5ea35d921040438cfa995c228f1b08>. The webcast 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, 2021, 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" 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. 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.

09.22

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

	Three Months Ended			Nine Months Ended	
	July 31, 2022	May 1, 2022	August 1, 2021	July 31, 2022	August 1, 2021
Revenue	\$ 219,948	\$ 204,509	\$ 170,643	\$ 614,283	\$ 482,473
Cost of goods sold	136,085	134,289	125,318	400,338	367,370
Gross Profit	83,863	70,220	45,325	213,945	115,103
Operating Expenses:					
Selling, general and administrative	15,960	16,613	15,083	48,306	43,203
Research and development	4,151	4,206	5,305	14,297	14,390
Total Operating Expenses	20,111	20,819	20,388	62,603	57,593
Other operating (loss) income, net	(23)	-	3,525	(17)	3,525
Operating Income	63,729	49,401	28,462	151,325	61,035
Non-operating income, net	3,641	8,021	3,735	16,370	3,643
Income Before Income Tax Provision	67,370	57,422	32,197	167,695	64,678
Income tax provision	18,146	14,393	7,842	43,717	14,493
Net Income	49,224	43,029	24,355	123,978	50,185
Net income attributable to noncontrolling interests	17,994	15,597	7,279	42,252	14,547
Net income attributable to Photronics, Inc. shareholders	\$ 31,230	\$ 27,432	\$ 17,076	\$ 81,726	\$ 35,638
Earnings per share:					
Basic	\$ 0.51	\$ 0.45	\$ 0.28	\$ 1.35	\$ 0.58
Diluted	\$ 0.51	\$ 0.45	\$ 0.28	\$ 1.34	\$ 0.57
Weighted-average number of common shares outstanding:					
Basic	60,701	60,606	60,884	60,488	61,804
Diluted	61,299	61,145	61,515	61,127	62,362

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

	July 31, 2022	October 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 380,833	\$ 276,670
Accounts receivable	206,495	174,447
Inventories	50,313	55,249
Other current assets	40,414	44,250
Total current assets	678,055	550,616
Property, plant and equipment, net	640,805	696,553
Other assets	30,737	47,033
Total assets	<u>\$ 1,349,597</u>	<u>\$ 1,294,202</u>
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	\$ 10,727	\$ 22,248
Accounts payable and accrued liabilities	186,387	153,900
Total current liabilities	197,114	176,148
Long-term debt	46,589	89,446
Other liabilities	25,936	28,046
Photronics, Inc. shareholders' equity	850,318	823,692
Noncontrolling interests	229,640	176,870
Total equity	<u>1,079,958</u>	<u>1,000,562</u>
Total liabilities and equity	<u>\$ 1,349,597</u>	<u>\$ 1,294,202</u>

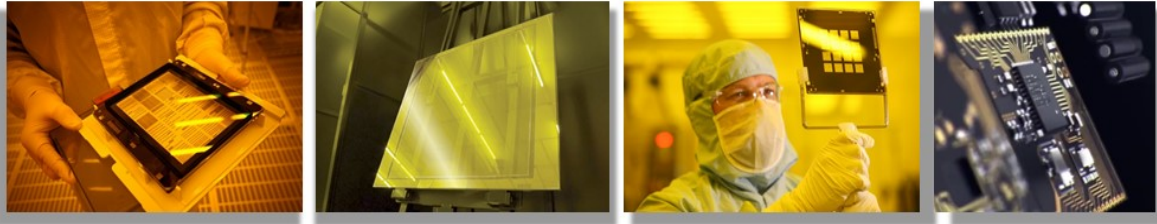
PHOTRONICS, INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Nine Months Ended	
	July 31, 2022	August 1, 2021
Cash flows from operating activities:		
Net income	\$ 123,978	\$ 50,185
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	61,210	69,305
Share-based compensation	4,623	4,034
Changes in operating assets, liabilities and other	6,110	(10,428)
Net cash provided by operating activities	<u>195,921</u>	<u>113,096</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(46,337)	(92,301)
Government incentives	1,394	5,775
Other	(179)	(170)
Net cash used in investing activities	<u>(45,122)</u>	<u>(86,696)</u>
Cash flows from financing activities:		
Repayments of debt	(51,917)	(13,311)
Purchases of treasury stock	(2,522)	(35,750)
Contributions from noncontrolling interest	24,995	-
Proceeds from share-based arrangements	5,505	2,251
Proceeds from long-term debt	-	20,858
Net settlements of restricted stock awards	(1,463)	(403)
Net cash used in financing activities	<u>(25,402)</u>	<u>(26,355)</u>
Effects of exchange rate changes on cash, cash equivalents, and restricted cash	<u>(21,308)</u>	<u>4,602</u>
Net increase in cash, cash equivalents, and restricted cash	104,089	4,647
Cash, cash equivalents, and restricted cash, beginning of period	<u>279,680</u>	<u>281,602</u>
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 383,769</u>	<u>\$ 286,249</u>



Photronics, Inc.

Q3 2022 Financial Results Conference Call
August 30, 2022



PHOTRONICS, INC.

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. 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.

Q3 2022 Summary

Revenue was a record

\$219.9M



IC: +11% Q/Q, +37% Y/Y

FPD: Flat Q/Q, +11% Y/Y

To China: +13% Q/Q; +63% Y/Y

\$381M

Cash balance

\$93M generated from operating activity

\$12M invested in capex

\$57M total long-term debt; reduced \$54M YTD

- Net income attributable to Photronics, Inc. shareholders of \$31.2M (\$0.51/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

- Targeting partnerships that extend market leadership position

Delivering on Updated Target Model

<u>\$M (except EPS)</u>	<u>2020</u>	<u>2021</u>	<u>Q3 2022</u> <u>LTM</u>	<u>Illustrative 2-Year Target Model</u> <u>(Updated 5/25/2022)</u>		
Revenue	\$610	\$664	\$796	\$900	\$950	\$975
Gross Margin	22%	25%	33%	38-40%	40-42%	42-43%
Operating Margin	10%	14%	23%	28-30%	30-32%	32-33%
Operating Cash Flow	\$143	\$151	\$234	\$350-375	\$365-380	\$375-400
Free Cash Flow*	\$77	\$47	\$172	\$250-275	\$235-280	\$275-300
Diluted EPS	\$0.52	\$0.89	\$1.67	\$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

8/30/2022

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Income Statement Summary

\$M (except EPS)	Q322	Q222	Q/Q	Q321	Y/Y
Revenue	\$ 219.9	\$ 204.5	8%	\$ 170.6	29%
Gross Profit	\$ 83.9	\$ 70.2	19%	\$ 45.3	85%
Gross Margin	38.1%	34.3%	380 bps	26.6%	1,150 bps
Operating Income	\$ 63.7	\$ 49.4	29%	\$ 28.5	124%
Operating Margin	29.0%	24.2%	480 bps	16.7%	1,230 bps
Non-operating income	\$ 3.6	\$ 8.0	(\$ 4.4)	\$ 3.7	(\$ 0.1)
Income tax provision	\$ 18.1	\$ 14.4	\$ 3.7	\$ 7.8	\$ 10.3
Minority interest	\$ 18.0	\$ 15.6	\$ 2.4	\$ 7.3	\$ 10.7
Net income*	\$ 31.2	\$ 27.4	14%	\$ 17.1	83%
Diluted EPS*	\$ 0.51	\$ 0.45	\$ 0.06	\$ 0.28	\$ 0.23
Days in quarter	91	91	-	91	-

*Net income attributable to Photronics, Inc. shareholders
8/30/2022

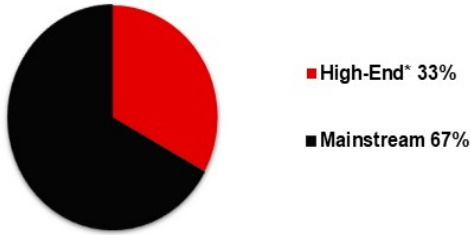
- Margins improved on operating leverage, disciplined cost management, and IC price realization
- Non-operating income primarily consists of unrealized FX gain
- Minority interest from strong net income of IC JVs in Taiwan and China

IC Photomask Revenue

\$M	Q322	Q222	Q/Q	Q321	Y/Y
High-End*	\$ 52.7	\$ 51.4	3%	\$ 42.4	24%
Mainstream	\$ 108.6	\$ 94.4	15%	\$ 75.4	44%
Total	\$ 161.3	\$ 145.8	11%	\$ 117.8	37%

Total may differ due to rounding

Q322 Revenue by Technology



*28nm and smaller
8/30/2022

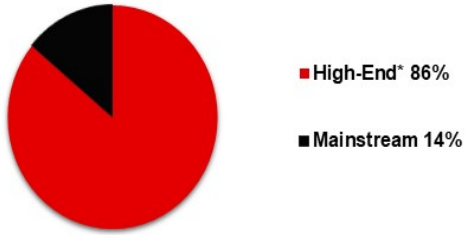
- High-end growth driven by strong demand in Asia and US and better pricing
- Continued mainstream growth from chip proliferation in consumer products, IoT, 5G, and Crypto supporting higher ASPs
- Outlook
 - Continued strength from remote work and education
 - Regionalization driving investments for global chip capacity
 - Expanding ASPs on positive supply/demand balance

FPD Photomask Revenue

\$M	Q322	Q222	Q/Q	Q321	Y/Y
High-End*	\$ 50.7	\$ 46.6	9%	\$ 40.6	25%
Mainstream	\$ 8.0	\$ 12.1	(34%)	\$ 12.2	(34%)
Total	\$ 58.7	\$ 58.7	-	\$ 52.9	11%

Total may differ due to rounding

Q322 Revenue by Technology



*≥G10.5, AMOLED and LTPS
8/30/2022

- Strong high-end demand for mobile AMOLED displays and G10.5+ for ultra-large screen TVs
- Mainstream production lower as we prioritized higher-margin high-end demand
- Outlook
 - Mobile demand strength should continue
 - Technology development drives demand for higher-value masks

Select Financial Data

\$M	Q322	Q222	Q321
Cash	\$ 381	\$ 329	\$ 283
Debt	\$ 57	\$ 83	\$ 118
Net Cash*	\$ 324	\$ 247	\$ 165
Operating Cash Flow	\$ 93	\$ 44	\$ 55
Capital Expenditures	\$ 12	\$ 16	\$ 19
Share repurchase	-	-	\$ 13

*Net cash defined is a non-GAAP term; see reconciliation included in this presentation
8/30/2022

- Debt primarily comprised of US equipment leases and local China loans; reduced debt \$54M YTD
- Capex 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

Q4 2022 Guidance

Revenue (\$M)	\$205 - \$215
Operating Margin	25% - 29%
Taxes (\$M)	\$12 - \$15
Diluted EPS	\$0.44 - \$0.52
Diluted Shares (M)	~61
Full-year Capex (M)	~\$100

- 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:

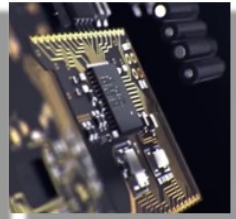
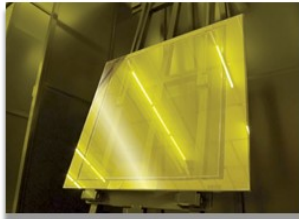
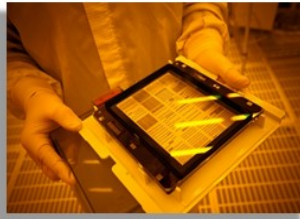
Please contact

John P. Jordan

Executive Vice President & CFO

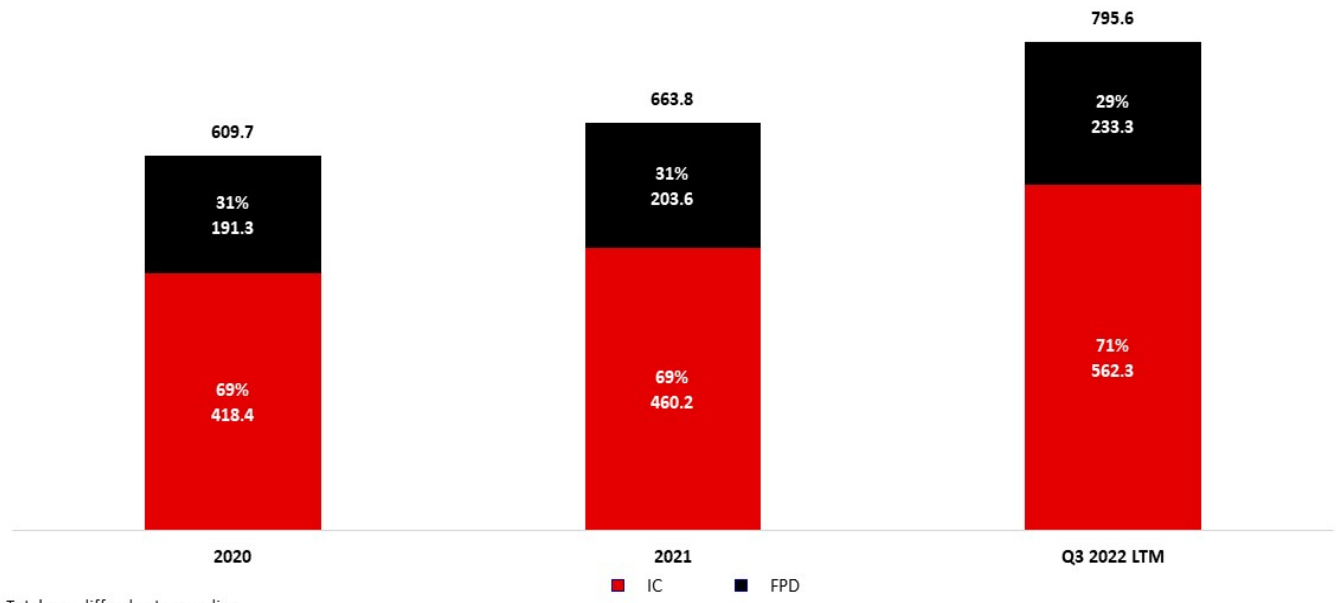
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Appendix

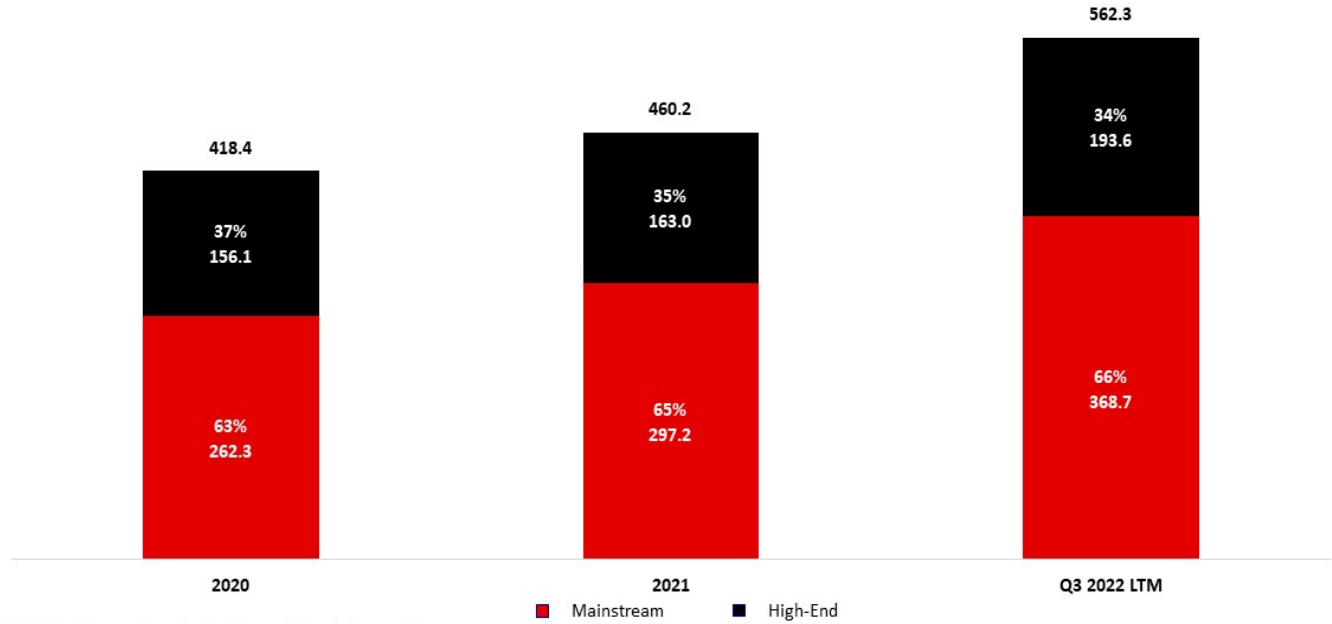
Total Revenue



Total may differ due to rounding

8/30/2022

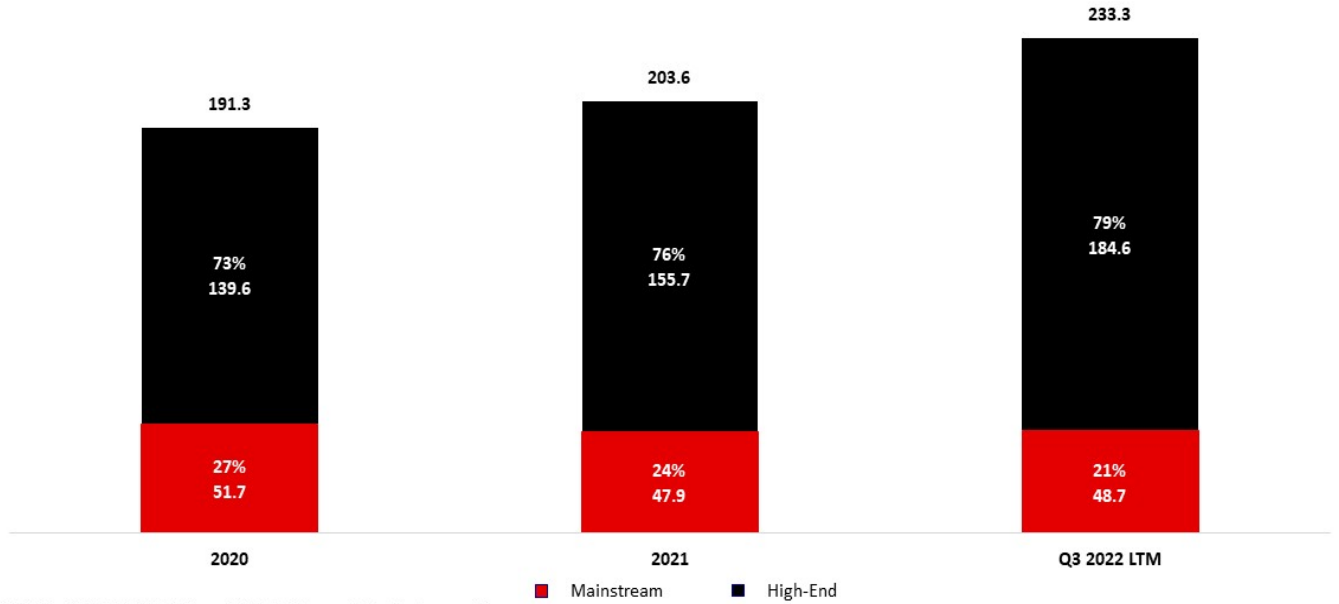
IC Photomask Revenue



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

8/30/2022

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

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

Reconciliation of Net cash provided by operating activities to Free Cash Flow

	Nine Months ended	Year ended October 31,			Target Model
	July 31, 2022	2021	2020	2019	Two-year Horizon
GAAP Net cash provided by operating activities	\$ 195,921	\$ 150,772	\$ 143,046	\$ 68,386	\$ 350,000 - 400,000
Purchases of property, plant and equipment	(46,337)	(109,099)	(70,815)	(178,375)	(100,000)
Government Incentives	1,394	5,775	5,263	27,003	-
Free Cash Flow	\$ 150,978	\$ 47,448	\$ 77,494	\$ (82,986)	\$ 250,000 - 300,000

Reconciliation of Free Cash flow to LTM Free Cash Flow:

	Free Cash Flow
Nine Months ended Aug 1, 2022	\$ 150,978
Year-ended October 31, 2021	47,448
Nine Months ended July 31, 2021	(26,569)
LTM July 31, 2022	\$ 171,857

Reconciliation of Cash and cash equivalents to Net Cash:

	As of		
	July 31, 2022	October 31, 2021	August 1, 2021
Cash and cash equivalents	\$ 380,833	\$ 276,670	\$ 283,249
Current portion of Long-term debt	(10,727)	(22,248)	(25,163)
Long-term Debt	(46,589)	(89,446)	(92,740)
Net Cash	\$ 323,517	\$ 164,976	\$ 165,346