

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)

December 9, 2020

PHOTRONICS, INC.

(Exact name of registrant as specified in its charter)

Connecticut

(Incorporation State or Other Jurisdiction of)

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 December 9, 2020, Photonics, Inc. (the “Company”) issued a press release reporting fourth quarter fiscal 2020 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.

Additionally, the Company will host an investor and analyst day on December 14, 2020. The event will be conducted virtually and feature updates from management and a Q&A session.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

[99.1](#) Press Release dated December 9, 2020.

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

[99.3](#) Condensed Consolidated Balance Sheets.

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

[99.5](#) Photonics Q4 2020 Financial Results Conference Call December 9, 2020 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: December 9, 2020



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

Photronics Reports Full Year and Fourth Quarter Fiscal 2020 Results

- 2020 revenue was a record \$609.7 million, an increase of 11% compared with 2019 and the third consecutive year of record annual revenue
- Fourth quarter 2020 revenue was \$149.3 million, down 5% sequentially and 4% year-over-year
- Net income attributable to Photronics, Inc. shareholders was \$33.8 million, or \$0.52 per diluted share, for the full year of 2020; and \$6.5 million, or \$0.10 per diluted share, for the fourth quarter of 2020
- During the fourth quarter, cash provided by operating activities was \$64.8 million, capex was \$34.1 million, share repurchases were \$17.5 million, and ending cash balance was \$278.7 million
- First quarter 2021 guidance: revenue between \$145 and \$155 million with diluted EPS between \$0.07 and \$0.14

BROOKFIELD, Conn. December 9, 2020 (GLOBE NEWSWIRE) — Photronics, Inc. (NASDAQ:PLAB), a worldwide leader in photomask technologies and solutions, today reported financial results for its fiscal 2020 full year and fourth quarter ended October 31, 2020.

Full year revenue was a record \$609.7 million, up 11% compared with 2019. IC revenue was \$418.4 million, up 3% compared with last year; and FPD revenue was a record \$191.3 million, up 32% compared with last year.

Fourth quarter revenue was \$149.3 million, down 5% compared with the previous quarter and 4% compared with the same quarter last year. Integrated circuit (IC) revenue was \$105.9 million, down 3% sequentially and 6% compared with the fourth quarter of last year. Flat panel display (FPD) revenue was \$43.4 million, down 12% compared with last quarter and 1% compared with the same period last year.

Net income attributable to Photronics, Inc. shareholders was \$33.8 million (\$0.52 per diluted share) compared with \$29.8 million (\$0.44 per diluted share) in 2019; fourth quarter net income was \$6.5 million (\$0.10 per diluted share), compared with \$10.8 million (\$0.17 per diluted share) for the third quarter of 2020 and \$9.7 million (\$0.15 per diluted share) for the fourth quarter of 2019.

"We achieved record annual revenue for the third consecutive year in 2020, overcoming tremendous global and regional challenges," said Peter Kirlin, chief executive officer. "Fourth quarter revenue declined 5% sequentially as typical seasonality was worsened by geopolitical factors and softness in some sectors. With the decrease in quarterly revenue, profit margins contracted due to the effect of operating leverage on our income. We increased our cash balance while investing in organic growth and returning cash to our shareholders through share repurchases, ending 2020 in a strong financial position. Our expectations are for another growth year in 2021, with high single-digit percent growth in revenue and an up-tick in operating profit similar to the 23% increase achieved in 2020."

First Quarter 2021 Guidance

For the first quarter of 2021, Photronics expects revenue to be between \$145 million and \$155 million, and net income attributable to Photronics, Inc. shareholders to be between \$0.07 and \$0.14 per diluted share.

Conference Call

A conference call to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, December 9, 2020. 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.

Investor and Analyst Day

Photronics will host an investor and analyst day on December 14, 2020. The event will be conducted virtually and feature updates from management and a Q&A session. More information can be found on the Investors section of Photronics' website at www.photronics.com.

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			Year Ended	
	October 31, 2020	August 2, 2020	October 31, 2019	October 31, 2020	October 31, 2019
Revenue	\$ 149,286	\$ 157,895	\$ 156,257	\$ 609,691	\$ 550,660
Cost of goods sold	117,401	120,161	118,098	475,037	429,819
Gross profit	31,885	37,734	38,159	134,654	120,841
Operating Expenses:					
Selling, general and administrative	12,790	13,306	12,140	53,582	52,326
Research and development	4,110	4,492	4,543	17,144	16,394
Total Operating Expenses	16,900	17,798	16,683	70,726	68,720
Operating income	14,985	19,936	21,476	63,928	52,121
Other (expense) income, net	(2,937)	(2,135)	(6,111)	(2,327)	(1,420)
Income before income tax provision	12,048	17,801	15,365	61,601	50,701
Income tax provision	3,469	4,937	2,327	21,258	10,210
Net income	8,579	12,864	13,038	40,343	40,491
Net income attributable to noncontrolling interests	2,119	2,088	3,338	6,523	10,698
Net income attributable to Photronics, Inc. shareholders	<u>\$ 6,460</u>	<u>\$ 10,776</u>	<u>\$ 9,700</u>	<u>\$ 33,820</u>	<u>\$ 29,793</u>
Earnings per share:					
Basic	<u>\$ 0.10</u>	<u>\$ 0.17</u>	<u>\$ 0.15</u>	<u>\$ 0.52</u>	<u>\$ 0.45</u>
Diluted	<u>\$ 0.10</u>	<u>\$ 0.17</u>	<u>\$ 0.15</u>	<u>\$ 0.52</u>	<u>\$ 0.44</u>
Weighted-average number of common shares outstanding:					
Basic	<u>64,193</u>	<u>64,780</u>	<u>66,230</u>	<u>64,866</u>	<u>66,347</u>
Diluted	<u>64,768</u>	<u>65,247</u>	<u>66,862</u>	<u>65,470</u>	<u>69,155</u>

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

	<u>October 31,</u> <u>2020</u>	<u>October 31,</u> <u>2019</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 278,665	\$ 206,530
Accounts receivable	134,470	134,454
Inventories	57,269	48,155
Other current assets	29,735	38,388
Total current assets	500,139	427,527
Property, plant and equipment, net	631,475	632,441
Intangible assets, net	3,437	7,870
Other assets	53,131	50,827
Total assets	<u>\$ 1,188,182</u>	<u>\$ 1,118,665</u>
Liabilities and Equity		
Current liabilities:		
Debt	\$ 13,678	\$ 10,873
Accounts payable and accrued liabilities	129,261	141,081
Total current liabilities	142,939	151,954
Long-term debt	54,980	41,887
Other liabilities	27,997	13,732
Photronics, Inc. shareholders' equity	804,962	769,892
Noncontrolling interests	157,304	141,200
Total equity	<u>962,266</u>	<u>911,092</u>
Total liabilities and equity	<u>\$ 1,188,182</u>	<u>\$ 1,118,665</u>

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

	Year Ended	
	October 31, 2020	October 31, 2019
Cash flows from operating activities:		
Net income	\$ 40,343	\$ 40,491
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	93,814	83,879
Share-based compensation	4,927	3,680
Changes in operating assets, liabilities and other	3,962	(59,664)
Net cash provided by operating activities	143,046	68,386
Cash flows from investing activities:		
Purchases of property, plant and equipment	(70,815)	(178,375)
Government incentive	5,263	27,003
Other	(159)	(34)
Net cash used in investing activities	(65,711)	(151,406)
Cash flows from financing activities:		
Proceeds from debt	20,340	54,633
Contributions from noncontrolling interest	17,596	29,394
Purchases of treasury stock	(34,394)	(21,696)
Dividends paid to noncontrolling interests	(16,151)	(45,050)
Repayments of debt	(7,392)	(61,319)
Proceeds from share-based arrangements	4,239	2,071
Other	(248)	(92)
Net cash used in financing activities	(16,010)	(42,059)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	10,986	2,381
Net increase (decrease) in cash, cash equivalents, and restricted cash	72,311	(122,698)
Cash, cash equivalents, and restricted cash, beginning of period	209,291	331,989
Cash, cash equivalents, and restricted cash, end of period	\$ 281,602	\$ 209,291



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

2020 Summary

- Revenue was \$609.7M; up 11%
 - 3rd 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

\$M (except EPS)	Q420	Q320	Q/Q	Q419	Y/Y
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 Photonics, Inc. shareholders

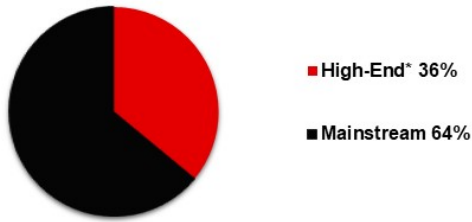
- Gross and operating margin down on lower revenue (operating leverage)
- China operations contributed \$1M to operating income
- Other income / (expense) primarily due to FX gain / (loss)
- Minority interest includes IC JVs in Taiwan and China

IC Photomask Revenue

\$M	Q420	Q320	Q/Q	Q419	Y/Y
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

Q420 Revenue by Technology



*28nm and smaller
12/9/2020

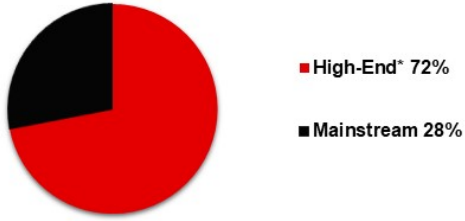
- Improvement at some logic foundries in US and Asia; memory demand soft
- Record China revenue in Q420
 - Up 14% Q/Q and 6% Y/Y
 - Represents 25% of Q420 IC revenue
- Outlook
 - Some sectors benefiting from remote work and education
 - Trade uncertainty remains post US election
 - Potential headwinds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

FPD Photomask Revenue

\$M	Q420	Q320	Q/Q	Q419	Y/Y
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

Q420 Revenue by Technology



*≥G10.5, AMOLED and LTPS
12/9/2020

- 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

Select Financial Data

\$M	Q420	Q320	Q419
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
12/9/2020

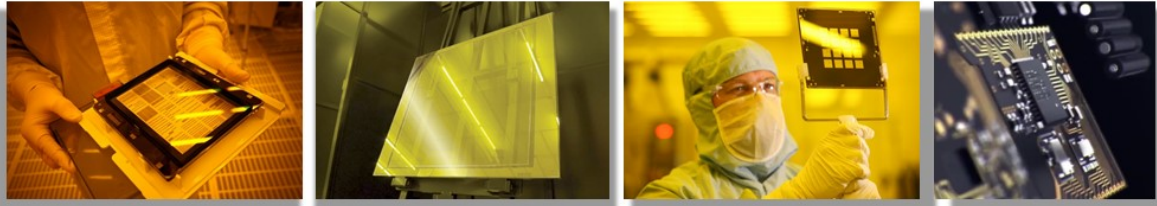
Q121 Guidance

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

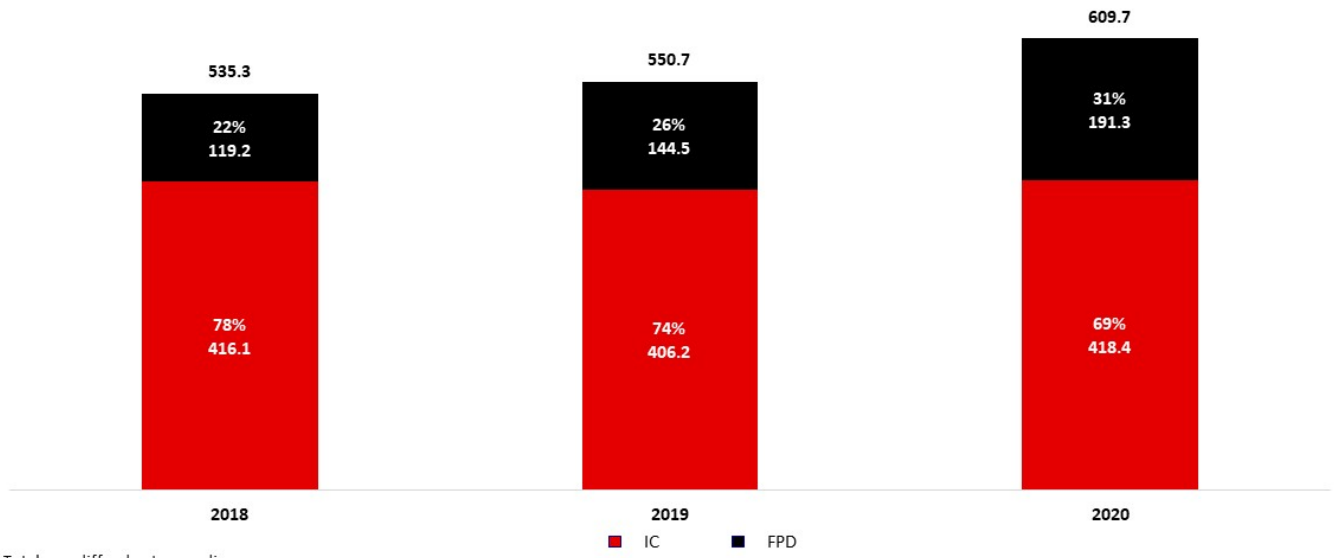
Thank you for your interest!

For Additional Information:
R. Troy Dewar, CFA
Vice President, Investor Relations
203.740.5610
tdewar@photronics.com



Appendix

Total Revenue

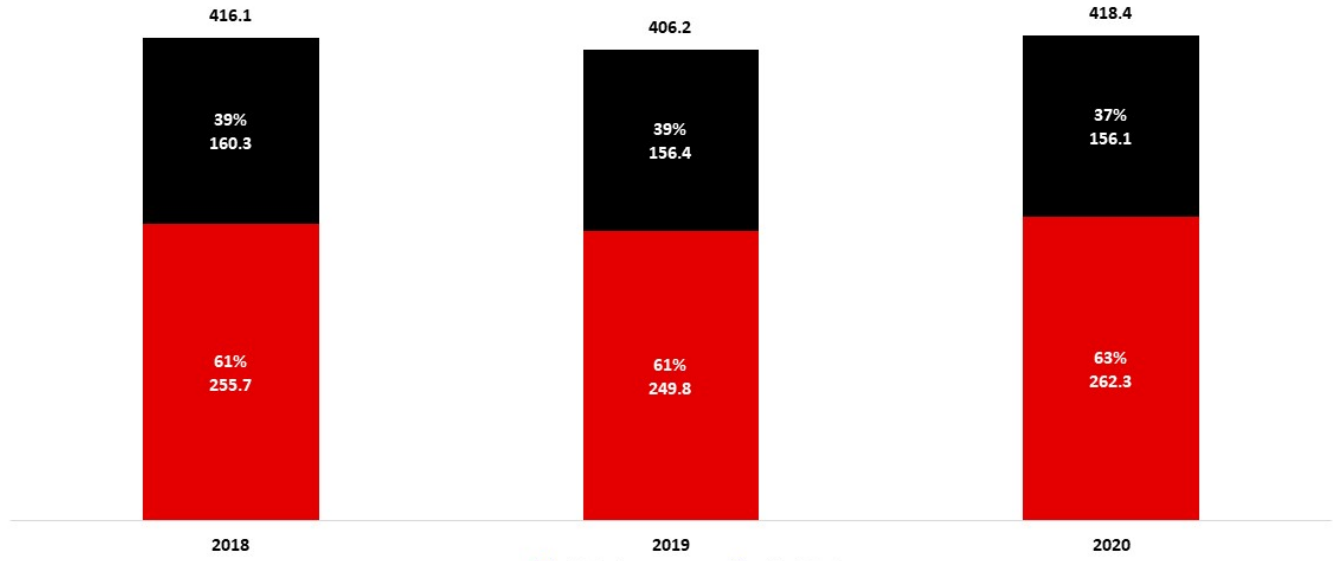


Total may differ due to rounding

12/9/2020



IC Photomask Revenue

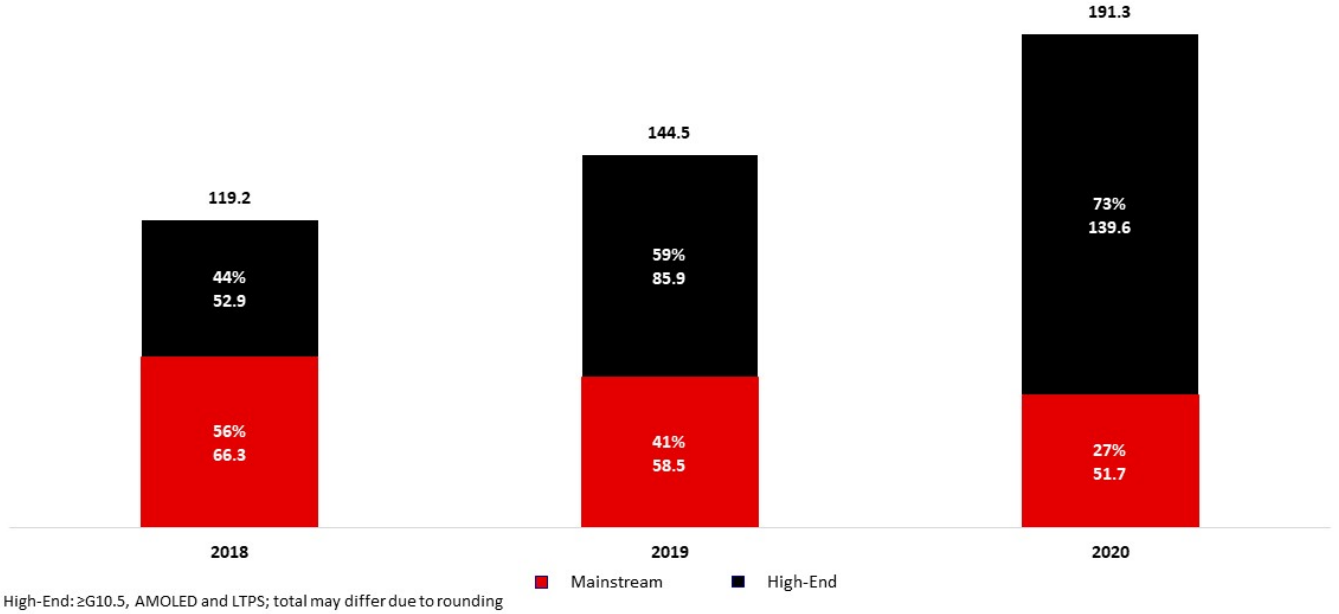


High-End: 28nm and smaller; total may differ due to rounding

■ Mainstream ■ High-End

12/9/2020

FPD Photomask Revenue



12/9/2020