

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) May 22, 2018

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) 755-900

(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.

Item 2.02 Results of Operation and Financial Condition

On May 22, 2018, the Corporation issued a press release reporting second quarter fiscal 2018 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 May 22, 2018, 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 April 29, 2018 may be disclosed. This information is set forth in Exhibit 99.5.

EBITDA is a non-GAAP financial measure that the Company defines pursuant to its credit agreement. The Company believes that EBITDA is generally accepted as providing useful information regarding the operational strength and performance of its business, including the ability of the Company to pay interest, service debt and fund capital expenditures. The Company’s method for calculating EBITDA may not be comparable to methods used by other companies but is the same method the Company uses for calculating EBITDA under its credit facility. The Company has included in the press release certain reconciliation information for EBITDA to its most directly comparable financial measure of net income calculated and reported in accordance with GAAP.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

- [99.1](#) Press Release dated May 22, 2018.
 - [99.2](#) Condensed Consolidated Statements of Income.
 - [99.3](#) Condensed Consolidated Balance Sheets.
 - [99.4](#) Condensed Consolidated Statements of Cash Flows.
 - [99.5](#) Photronics Q2 2018 Financial Results Conference Call May 22, 2018 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: Vice President, General Counsel and Secretary

Date: May 22, 2018



Press Release

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

Photronics Reports Second Quarter Fiscal 2018 Results

- Second quarter 2018 revenue was \$130.8 million, up 6% sequentially and 21% year-over-year
- High-end IC revenue surged 83% year-over-year on strong demand from Asia foundries
- Net income attributable to Photronics, Inc. shareholders was \$10.7 million (\$0.15 per diluted share)
- Third quarter 2018 guidance: revenue between \$128 and \$136 million with diluted EPS between \$0.12 and \$0.18

BROOKFIELD, Conn. May 22, 2018 (Globe Newswire) — Photronics, Inc. (NASDAQ:PLAB), a worldwide leader in supplying innovative imaging technology solutions for the global electronics industry, today reported financial results for its fiscal 2018 second quarter ended April 29, 2018.

Second quarter revenue was \$130.8 million, increases of 6% sequentially and 21% compared with the same quarter prior year. Integrated circuit (IC) revenue was \$102.3 million, up 7% sequentially and 24% compared with last year. Flat panel display (FPD) revenue was \$28.5 million, up 3% sequentially and 11% compared with last year.

Net income attributable to Photronics, Inc. shareholders was \$10.7 million (\$0.15 per diluted share), compared with \$5.9 million (\$0.09 per diluted share) for the first quarter of 2018 and \$1.8 million (\$0.03 per diluted share) for the second quarter of 2017.

"Performance strengthened again in the second quarter, continuing the sequential revenue growth of the past four quarters," said Peter Kirlin, chief executive officer. "High-end IC was especially strong year-over-year, up 83%. Sequentially, IC continued to improve in both logic and memory, as customers, particularly Asia foundries, released new designs. High-end FPD was down slightly on soft AMOLED demand, but mainstream improved due to growth in LTPS LCD displays. Operating margin improved with the growth in revenue, although tempered slightly by higher operating expenses. Minority interest increased due to strong earnings from our Taiwan JV, and a foreign exchange gain contributed to the bottom line, resulting in net income of \$10.7 million. We ended the quarter with a cash balance of \$321 million, which will be very important as we anticipate a ramp of capital expenditures later this year for our new facilities in China."

Third Quarter 2018 Guidance

For the third quarter of 2018, Photronics expects revenue to be between \$128 million and \$136 million, and net income attributable to Photronics, Inc. shareholders to be between \$0.12 and \$0.18 per diluted share.

Conference Call

A conference call to discuss these results is scheduled for 8:30 a.m. Eastern time on Tuesday, May 22, 2018. The call can be accessed by logging onto Photronics' web site 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' web site for instant replay access.

About Photronics

Photronics is a leading worldwide manufacturer of photomasks. Photomasks are high precision quartz plates that contain microscopic images of electronic circuits. A key element in the manufacture of semiconductors and flat panel displays, photomasks are used to transfer circuit patterns onto semiconductor wafers and flat panel display substrates during the fabrication of integrated circuits, a variety of flat panel displays and, to a lesser extent, other types of electrical and optical components. They are produced in accordance with product designs provided by customers at strategically located manufacturing facilities in Asia, Europe, and North America. Additional information on the Company can be accessed at www.photronics.com

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements made by or on behalf of Photronics, Inc. and its subsidiaries (the Company). The forward-looking statements contained in this press release and other parts of Photronics' web site involve risks and uncertainties that may affect the Company's operations, markets, products, services, prices, and other factors. These risks and uncertainties include, but are not limited to, economic, competitive, legal, governmental, and technological factors as well as decisions we may make in the future regarding our business, capital structure and other matters. These forward-looking statements generally can be identified by phrases such as "believes", "expects", "anticipates", "plans", "projects", and similar expressions. Accordingly, there is no assurance that the Company's expectations will be realized. For a fuller discussion of the factors that may affect the Company's operations, see "Forward Looking Statements" in the Company's Quarterly and Annual Reports to the Securities and Exchange Commission on Forms 10-Q and 10-K. The Company assumes no obligation to provide revisions to any forward-looking statements.

Exhibit 99.2

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

	Three Months Ended			Six Months Ended	
	April 29, 2018	January 28, 2018	April 30, 2017	April 29, 2018	April 30, 2017
Revenue	\$ 130,779	\$ 123,446	\$ 108,297	\$ 254,225	\$ 218,128
Cost of goods sold	(97,960)	(95,784)	(88,140)	(193,744)	(174,972)
Gross profit	32,819	27,662	20,157	60,481	43,156
Operating Expenses:					
Selling, general and administrative	(13,637)	(11,750)	(10,894)	(25,387)	(21,765)
Research and development	(3,817)	(4,104)	(3,726)	(7,921)	(7,211)
Total Operating Expenses	(17,454)	(15,854)	(14,620)	(33,308)	(28,976)
Operating income	15,365	11,808	5,537	27,173	14,180
Other income (expense), net	3,332	(4,105)	(3,622)	(774)	(5,705)
Income before income taxes	18,697	7,703	1,915	26,399	8,475
Income tax (provision) benefit	(3,508)	1,778	(431)	(1,729)	(2,481)
Net income	15,189	9,481	1,484	24,670	5,994
Net income attributable to noncontrolling interests	(4,524)	(3,583)	313	(8,107)	(2,251)
Net income attributable to Photronics, Inc. shareholders	\$ 10,665	\$ 5,898	\$ 1,797	\$ 16,563	\$ 3,743
Earnings per share:					
Basic	\$ 0.15	\$ 0.09	\$ 0.03	\$ 0.24	\$ 0.05
Diluted	\$ 0.15	\$ 0.09	\$ 0.03	\$ 0.23	\$ 0.05
Weighted-average number of common shares outstanding:					
Basic	69,293	68,755	68,426	69,024	68,301
Diluted	75,190	69,372	69,385	75,052	69,277

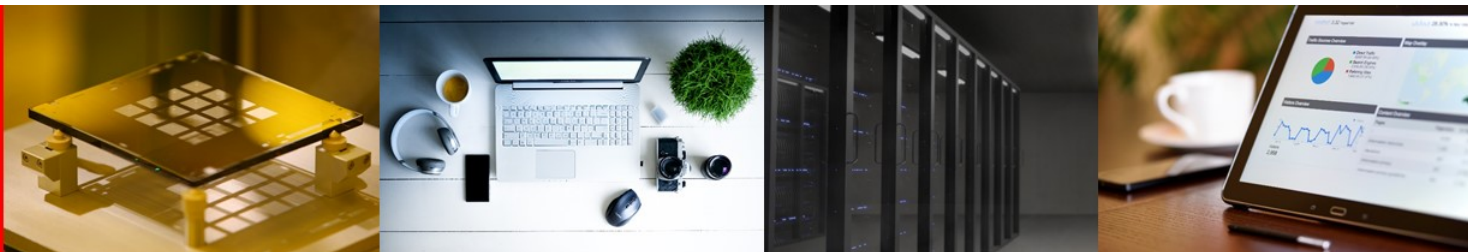
Exhibit 99.3

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

	April 29, 2018	October 29, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 321,246	\$ 308,021
Accounts receivable	124,331	105,320
Inventories	31,936	23,703
Other current assets	22,786	12,080
Total current assets	500,299	449,124
Property, plant and equipment, net	563,313	535,197
Intangible assets, net	14,708	17,122
Other assets	23,961	19,351
Total assets	<u>\$ 1,102,281</u>	<u>\$ 1,020,794</u>
Liabilities and Equity		
Current liabilities:		
Current portion of long-term borrowings	\$ 59,263	\$ 4,639
Accounts payable and accrued liabilities	107,245	77,137
Total current liabilities	166,508	81,776
Long-term borrowings	-	57,337
Other liabilities	17,707	16,386
Photronics, Inc. shareholders' equity	783,380	744,564
Noncontrolling interests	134,686	120,731
Total equity	<u>918,066</u>	<u>865,295</u>
Total liabilities and equity	<u>\$ 1,102,281</u>	<u>\$ 1,020,794</u>

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

	Six Months Ended	
	April 29, 2018	April 30, 2017
Cash flows from operating activities:		
Net income	\$ 24,670	\$ 5,994
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	44,429	42,241
Changes in operating assets, liabilities and other	(31,191)	(1,328)
Net cash provided by operating activities	37,908	46,907
Cash flows from investing activities:		
Purchases of property, plant and equipment	(44,129)	(14,152)
Acquisition of business	-	(5,400)
Proceeds from sale of investments	-	167
Other	436	(462)
Net cash used in investing activities	(43,693)	(19,847)
Cash flows from financing activities:		
Repayments of long-term borrowings	(2,771)	(2,695)
Contribution from noncontrolling interest	11,998	-
Proceeds from share-based arrangements	3,776	2,311
Other	(267)	(23)
Net cash provided by (used in) financing activities	12,736	(407)
Effect of exchange rate changes on cash	6,274	4,997
Net increase in cash and cash equivalents	13,225	31,650
Cash and cash equivalents, beginning of period	308,021	314,074
Cash and cash equivalents, end of period	\$ 321,246	\$ 345,724



Photronics, Inc.

Q2 2018 Financial Results Conference Call
May 22, 2018



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”, “should”, “plan”, “project” 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, specifically our most recent Form 10K and Form 10Q.

Non-GAAP Financial Measures

This presentation and some of our comments may reference non-GAAP financial measures. These non-GAAP financial measures exclude certain income or expense items, and are consistent with another way management internally analyzes our results of operations. Non-GAAP information should be considered to be a supplement to, and not a substitute for, financial statements prepared in accordance with GAAP. Please see the “Reconciliation of GAAP to Non-GAAP Financial Information” in this presentation.

Q2 2018 Summary

- ▶ **Revenue grew 21% Y/Y and 6% Q/Q**
 - High-end IC biggest growth factor (+83% Y/Y)
 - China revenue doubled Y/Y; up 18% Q/Q
- ▶ **Gross and operating margins expanded on higher revenue and operating leverage**
- ▶ **Net income attributable to Photronics, Inc. shareholders of \$10.7M (\$0.15/share)**
- ▶ **Cash balance of \$321M; capex increased to \$33M as we invest in growth**
- ▶ **China investments on track**
 - Construction to be completed later this year
 - Production to begin first half of 2019

Investing in long-term, profitable growth to increase shareholder value

Income Statement Summary

<u>\$M (except EPS)</u>	<u>Q218</u>	<u>Q118</u>	<u>Q/Q</u>	<u>Q217</u>	<u>YY</u>
Revenue	\$ 130.8	\$ 123.4	6%	\$ 108.3	21%
Gross Profit	\$ 32.8	\$ 27.7	19%	\$ 20.2	63%
<i>Gross Margin</i>	25.1%	22.4%	270 bps	18.6%	650 bps
Operating Income	\$ 15.4	\$ 11.8	30%	\$ 5.5	178%
<i>Operating Margin</i>	11.7%	9.6%	210 bps	5.1%	660 bps
Net Income*	\$ 10.7	\$ 5.9	80%	\$ 1.8	493%
Diluted EPS*	\$ 0.15	\$ 0.09	\$ 0.06	\$ 0.03	\$ 0.12

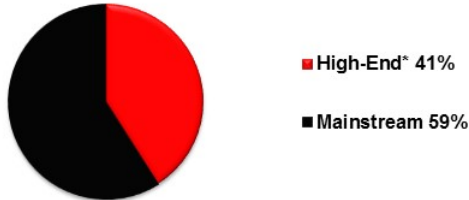
- ▶ Higher revenue as we achieved growth in both IC & FPD
- ▶ Gross margin improved due to effect of revenue increase
- ▶ Operating margin increased as higher gross margin and lower R&D offset impact of higher SG&A due to compensation
- ▶ Net income includes foreign exchange gain, net of tax and non-controlling interest, of \$1.5M (\$0.02/share) in Q218; and a loss of \$2.7M (\$0.04/share) in Q118
- ▶ Q118 tax expense includes \$4.2M (\$0.06/share) benefits, primarily for recognition of accumulated AMT credits resulting from the tax reform act

IC Photomask Revenue

\$M	Q218	Q118	Q/Q	Q217	Y/Y
High-End*	\$ 41.5	\$ 33.4	24%	\$ 22.7	83%
Mainstream	\$ 60.8	\$ 62.3	(2%)	\$ 59.9	1%
Total	\$ 102.3	\$ 95.7	7%	\$ 82.6	24%

Total may differ due to rounding

Q218 Revenue by Technology



*28nm and smaller

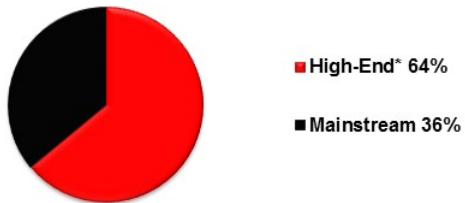
- ▶ Strong high-end growth
 - High-end logic growth driven by Asia foundries
 - Memory demand from Asia continues to be strong
- ▶ China revenue more than doubled Y/Y; represents 11% of Q218 IC revenue
- ▶ Expect demand trends to continue in Q3
 - High-end logic improving
 - High-end memory flat to up
 - Mainstream stable

FPD Photomask Revenue

\$M	Q218	Q118	Q/Q	Q217	Y/Y
High-End*	\$ 18.2	\$ 18.8	(3%)	\$ 16.8	9%
Mainstream	\$ 10.3	\$ 9.0	14%	\$ 8.9	16%
Total	\$ 28.5	\$ 27.8	3%	\$ 25.7	11%

Total may differ due to rounding

Q218 Revenue by Technology



*≥G8 and AMOLED

- ▶ High-end down Q/Q primarily due to lower AMOLED demand
- ▶ Mainstream strengthened as demand for LTPS LCD displays increased
- ▶ China represents 36% of Q218 FPD revenue
- ▶ Expect customers to ramp new AMOLED designs to improve fab utilization
- ▶ Qualifying P-800 in Korea to maintain AMOLED technology leadership

Select Financial Data

\$M	Q218	Q118	Q217
Cash	\$ 321	\$ 349	\$ 346
Debt	\$ 59	\$ 61	\$ 65
Net Cash*	\$ 262	\$ 288	\$ 281
Operating Cash Flow	\$ 7	\$ 31	\$ 15
Capital Expenditures	\$ 33	\$ 11	\$ 5
LTM EBITDA	\$ 138	\$ 122	\$ 120

- ▶ Cash balance lower on higher capex and lower operating cash flow
- ▶ Operating cash flow lower due to increase in net working capital and other current assets, driven by revenue growth
- ▶ 2018 capex expected to be ~\$250M, primarily for China IC & FPD investments
- ▶ Balance sheet able to fund planned investments and strategic M&A opportunities

Q318 Guidance

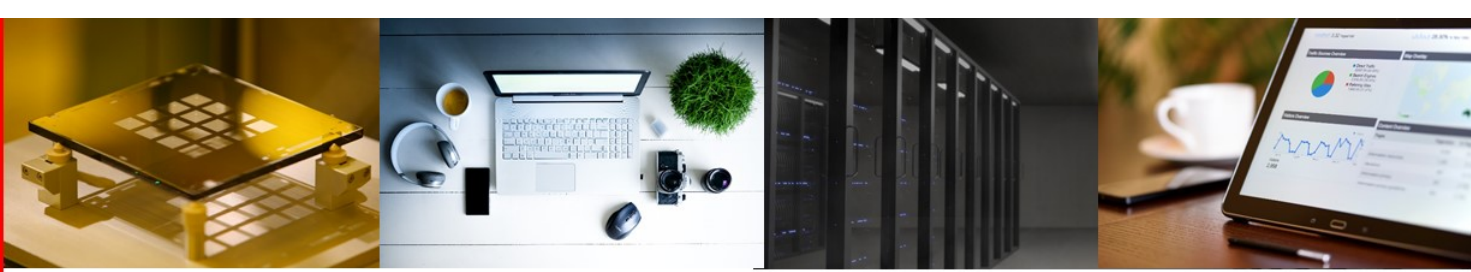
Revenue (\$M) \$128 - \$136

Taxes (\$M) \$2 - \$3

EPS \$0.12 - \$0.18

Diluted Shares (M) ~75

- ▶ High-end demand expectations are positive
 - High-end IC logic up on Asia foundry demand
 - High-end IC memory stable to improving
 - High-end FPD mask demand should improve as customers release new designs to maintain utilization
- ▶ Some high-end litho tools schedule for PM in Q3, limiting revenue growth
- ▶ Expect margin headwinds in H218 as China operations begin to ramp ahead of production in first half of 2019

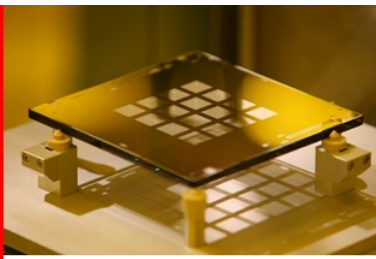


Thank you for your interest!

For Additional Information:

R. Troy Dewar, CFA
Director, Investor Relations
203.740.5610
tdewar@photonics.com

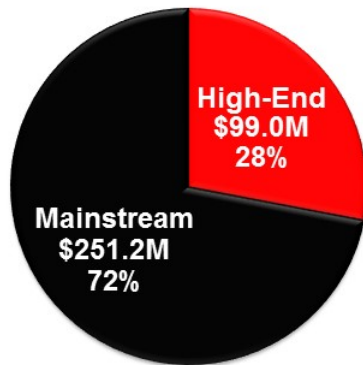




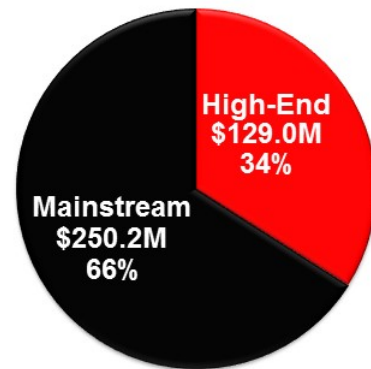
Appendix

IC Photomask Revenue

2017: \$350.3M



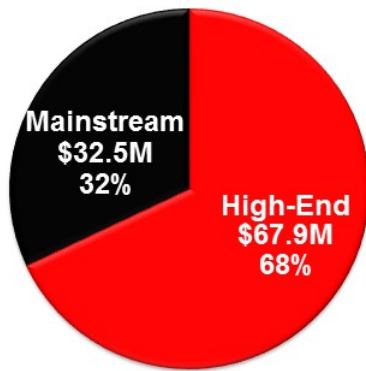
Q218 LTM: \$379.1M



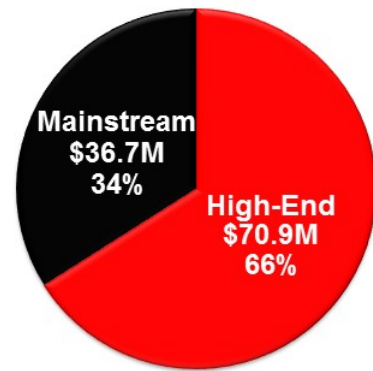
High-End: 28nm and smaller; total may differ due to rounding

FPD Photomask Revenue

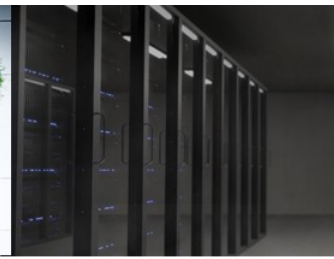
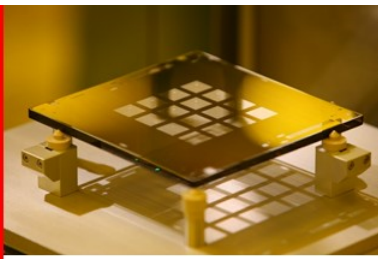
2017: \$100.4M



Q218 LTM: \$107.6M



High-End: ≥G8 and AMOLED; total may differ due to rounding



Non-GAAP Reconciliation

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

	Three Months Ended			Six Months Ended	
	April 29, 2018	January 28, 2018	April 30, 2017	April 29, 2018	April 30, 2017
Reconciliation of GAAP Net Income to Non-GAAP EBITDA					
GAAP Net Income (a)	\$ 15,189	\$ 9,481	\$ 1,484	\$ 24,670	\$ 5,994
Interest expense	551	574	550	1,125	1,109
Income tax expense/(benefit)	3,508	(1,778)	431	1,729	2,481
Depreciation and amortization	22,066	22,363	21,345	44,429	42,241
Other items (b)	163	884	921	1,047	1,858
Adjusted EBITDA	<u>\$ 41,477</u>	<u>\$ 31,524</u>	<u>\$ 24,731</u>	<u>\$ 73,000</u>	<u>\$ 53,683</u>

Notes:

- (a) Includes net income attributable to noncontrolling interests.
- (b) Consists of stock compensation expense for all periods and gain on sale of certain assets in Q2 2018.