

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 23, 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 February 23, 2022, Photonics, Inc. (the “Company”) issued a press release reporting first 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 February 23, 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 January 30, 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 February 23, 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 Q1 2022 Financial Results Conference Call February 23, 2022 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 23, 2022

**For Further Information:**

John P. Jordan
Executive Vice President & CFO
203.740.5671
jjordan@photronics.com

**Photronics Reports First Quarter Fiscal 2022 Results
and Updates Long-Term Target Model**

BROOKFIELD, Conn. February 23, 2022 (GLOBE NEWSWIRE) — [Photronics, Inc.](#) (NASDAQ:PLAB), a worldwide leader in photomask technologies and solutions, today reported financial results for its fiscal 2022 first quarter ended January 30, 2022.

“Strong end-market demand trends have continued into 2022, helping us achieve our fourth consecutive quarter of record revenue,” said Peter Kirilin, chief executive officer. “Our investment strategy is producing the intended results as demonstrated by growth in excess of market rates. We’ve aligned our operations and technology to serve the strongest sectors of the market, such as AMOLED for mobile displays, high-end logic devices for advanced electronics and mainstream IC to support the proliferation of chips needed for the enablement of the internet of things.”

First Quarter 2022 Results

- Revenue was \$189.8 million, up 5% sequentially and 25% year-over-year
- Net income attributable to Photronics, Inc. shareholders was \$23.1 million (\$0.38 per diluted share), compared with fourth quarter 2021 net income of \$19.8 million (\$0.33 per diluted share) – a 15% sequential increase in EPS, and first quarter 2021 net income of \$8.0 million (\$0.13 per diluted share) – nearly 300% year-over-year increase
- Integrated circuit (IC) revenue in the first quarter was \$129.8 million, up 3% sequentially and 24% compared with the first quarter of last year
- Flat panel display (FPD) revenue was \$60.1 million, up 8% over last quarter and 27% over the same period last year.

“Market dynamics and Photronics’ execution have driven profitability levels that propelled the Company well beyond the projections in the target model we provided in December 2020,” concluded Kirilin. “Significant indicators from the market and other market participants are that these conditions will continue well into the future. We have therefore included an updated target model in the supplemental information issued in connection with our conference call later today.”

Second Quarter 2022 Guidance

For the second quarter of 2022, Photronics expects revenue to be between \$188 million and \$196 million, and net income attributable to Photronics, Inc. shareholders to be between \$0.32 and \$0.38 per diluted share.

Conference Call

A conference call to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, February 23, 2022. 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, 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.

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

	Three Months Ended		
	January 30, 2022	October 31, 2021	January 31, 2021
Revenue	\$ 189,827	\$ 181,288	\$ 152,067
Cost of goods sold	129,964	129,347	121,538
Gross Profit	59,863	51,941	30,529
Operating Expenses:			
Selling, general and administrative	15,727	14,322	14,053
Research and development	5,939	4,100	4,710
Total Operating Expenses	21,666	18,422	18,763
Operating Income	38,197	33,519	11,766
Non-operating income, net	4,707	3,809	680
Income Before Income Tax Provision	42,904	37,328	12,446
Income tax provision	11,178	8,697	2,937
Net Income	31,726	28,631	9,509
Net income attributable to noncontrolling interests	8,662	8,820	1,473
Net income attributable to Photronics, Inc. shareholders	<u>\$ 23,064</u>	<u>\$ 19,811</u>	<u>\$ 8,036</u>
Earnings per share:			
Basic	<u>\$ 0.38</u>	<u>\$ 0.33</u>	<u>\$ 0.13</u>
Diluted	<u>\$ 0.38</u>	<u>\$ 0.33</u>	<u>\$ 0.13</u>
Weighted-average number of common shares outstanding:			
Basic	<u>60,158</u>	<u>60,216</u>	<u>62,475</u>
Diluted	<u>60,936</u>	<u>60,908</u>	<u>63,005</u>

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

	<u>January 30,</u> <u>2022</u>	<u>October 31,</u> <u>2021</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 314,195	\$ 276,670
Accounts receivable	170,673	174,447
Inventories	61,971	55,249
Other current assets	<u>50,940</u>	<u>44,250</u>
Total current assets	597,779	550,616
Property, plant and equipment, net	692,289	696,553
Other assets	<u>45,180</u>	<u>47,033</u>
Total assets	<u>\$ 1,335,248</u>	<u>\$ 1,294,202</u>
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	\$ 18,307	\$ 22,248
Accounts payable and accrued liabilities	<u>172,787</u>	<u>153,900</u>
Total current liabilities	191,094	176,148
Long-term debt	78,540	89,446
Other liabilities	26,448	28,046
Photronics, Inc. shareholders' equity	838,425	823,692
Noncontrolling interests	<u>200,741</u>	<u>176,870</u>
Total equity	<u>1,039,166</u>	<u>1,000,562</u>
Total liabilities and equity	<u>\$ 1,335,248</u>	<u>\$ 1,294,202</u>

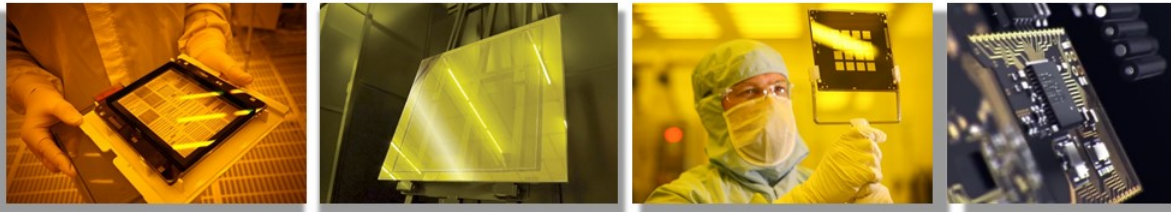
PHOTRONICS, INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Three Months Ended	
	January 30, 2022	January 31, 2021
Cash flows from operating activities:		
Net income	\$ 31,726	\$ 9,509
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	20,810	23,724
Share-based compensation	1,457	1,301
Changes in operating assets, liabilities and other	5,137	(8,247)
Net cash provided by operating activities	59,130	26,287
Cash flows from investing activities:		
Purchases of property, plant and equipment	(19,175)	(17,532)
Government incentives	-	397
Other	(43)	(61)
Net cash used in investing activities	(19,218)	(17,196)
Cash flows from financing activities:		
Repayments of debt	(15,192)	(7,796)
Purchases of treasury stock	(2,522)	(13,209)
Contribution from noncontrolling interest	14,997	-
Proceeds from long-term debt	-	6,205
Proceeds from share-based arrangements	3,840	765
Net settlements of restricted stock awards	(1,458)	(315)
Net cash used in financing activities	(335)	(14,350)
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(2,057)	5,195
Net increase (decrease) in cash, cash equivalents, and restricted cash	37,520	(64)
Cash, cash equivalents, and restricted cash, beginning of period	279,680	281,602
Cash, cash equivalents, and restricted cash, end of period	\$ 317,200	\$ 281,538



Photronics, Inc.

Q1 2022 Financial Results Conference Call
February 23, 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.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.

Q1 2022 Summary

Revenue
was a record
\$189.8M



IC (+3% Q/Q, +24% Y/Y) and
FPD (+8% Q/Q, +27% Y/Y)
both achieved record revenue

Record revenue to China,
up 6% Q/Q and 69% Y/Y

\$314M

Cash
balance

\$59M generated from operating activity

\$19M invested in capex

\$3M returned to investors through share
repurchases

- Net income attributable to Photronics, Inc. shareholders of \$23.1M (\$0.38/share)
- Updating long-term target model based upon improving performance and positive demand outlook
- Investing in mainstream IC capacity to capitalize on market growth trends

Strategic investments driving long-term, profitable growth

Investment Strategy

Revenue Growth

- Win lion's share of "Made in China 2025" TAM growth
- Supplement new factories with point tool investments
- Capitalize on technology leadership in AMOLED to continue improving mix
- Leverage global footprint to exploit growth in "legacy foundry" business

Margin Expansion

- Sustained pricing strength in mainstream IC going into 2022
- Optimize asset tool set to match end-market demand
- Increasing benefit from operating leverage

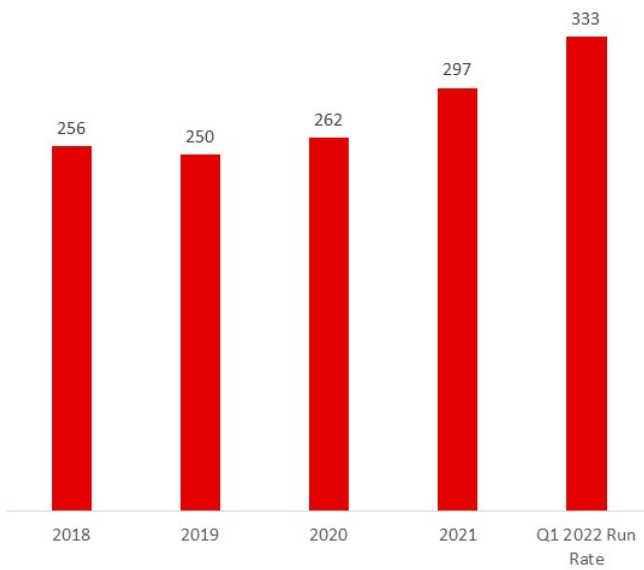
Explore Strategic Partnerships

- Targeting partnerships that extend market leadership position
- Building on successful history of M&A and joint ventures

2/23/2022

Growth in Legacy Foundry = Dynamic Mainstream Mask Market

IC Mainstream Revenue (\$M)



- Rebirth of the ASIC mask market
 - Moore's law inefficient for many applications
 - Mask intensity higher than over-all semiconductor market
- Industry demand exceeds supply
 - Delivery times expanding from days to months
 - We are investing in incremental capacity to meet customer demand
- Low industry capacity creating pricing leverage
 - Double digit increases implemented in Taiwan and China
 - Actively raising prices in Europe and Korea

Delivering on Commitments and Updating Target Model

<u>\$M (except EPS)</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>Q1 2022</u> <u>LTM</u>	<u>Illustrative Target Model</u> <u>2-Year Horizon</u>		
Revenue	\$551	\$610	\$664	\$702	\$775 <i>9% CAGR</i>	\$800 <i>10% CAGR</i>	\$850 <i>11% CAGR</i>
Gross Margin	22%	22%	25%	28%	31-33%	32-34%	34-36%
Operating Margin	9%	10%	14%	17%	20-22%	22-24%	24-26%
Operating Cash Flow	\$68	\$143	\$151	\$184	\$225-250	\$260-275	\$290-300
Free Cash Flow*	(\$83)	\$77	\$47	\$78	\$125-150	\$160-175	\$190-200
Diluted EPS	\$0.44	\$0.52	\$0.89	\$1.14	\$1.40-1.45	\$1.55-1.65	\$1.90-2.00

*Free Cash Flow is a non-GAAP term which represents Operating Cash Flow less Capital Expenditures, which are reported under GAAP
2/23/2022

Income Statement Summary

\$M (except EPS)	Q122	Q421	Q/Q	Q121	Y/Y
Revenue	\$ 189.8	\$ 181.3	5%	\$ 152.1	25%
Gross Profit	\$ 59.9	\$ 51.9	15%	\$ 30.5	96%
Gross Margin	31.5%	28.7%	280 bps	20.1%	1,140 bps
Operating Income	\$ 38.2	\$ 33.5	14%	\$ 11.8	225%
Operating Margin	20.1%	18.5%	160 bps	7.7%	1,240 bps
Other non-operating income (expense)	\$ 4.7	\$ 3.8	\$ 0.9	\$ 0.7	\$ 4.0
Income tax provision	\$ 11.2	\$ 8.7	\$ 2.5	\$ 2.9	\$ 8.2
Minority interest	\$ 8.7	\$ 8.8	(\$ 0.2)	\$ 1.5	\$ 7.2
Net income*	\$ 23.1	\$ 19.8	16%	\$ 8.0	187%
Diluted EPS*	\$ 0.38	\$ 0.33	\$ 0.05	\$ 0.13	\$ 0.25
Days in quarter	91	91	-	92	(1)

*Net income attributable to Photronics, Inc. shareholders
2/23/2022

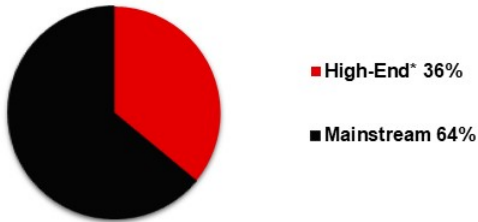
- Margins improved on leverage from higher revenue (IC & FPD) and better mainstream IC pricing
- Other non-operating income (expense) primarily due to FX gain (loss)
- Minority interest is IC JVs in Taiwan and China

IC Photomask Revenue

\$M	Q122	Q421	Q/Q	Q121	Y/Y
High-End*	\$ 46.5	\$ 42.6	9%	\$ 36.8	27%
Mainstream	\$ 83.2	\$ 82.9	1%	\$ 68.2	22%
Total	\$ 129.8	\$ 125.4	3%	\$ 105.0	24%

Total may differ due to rounding

Q122 Revenue by Technology



*28nm and smaller
2/23/2022

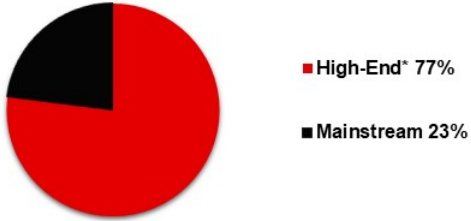
- High-end growth driven by strong logic demand in Asia
- Mainstream up on proliferation of chips in IoT, 5G, Crypto and consumer products creating support for higher ASPs
- Outlook
 - Continued strength from remote work and education
 - Mainstream demand strong, expanding ASPs
 - New capacity coming online end of Q2

FPD Photomask Revenue

\$M	Q122	Q421	Q/Q	Q121	Y/Y
High-End*	\$ 46.3	\$ 41.0	13%	\$ 34.6	34%
Mainstream	\$ 13.8	\$ 14.9	(7%)	\$ 12.5	11%
Total	\$ 60.1	\$ 55.8	8%	\$ 47.1	27%

Total may differ due to rounding

Q122 Revenue by Technology



*≥G10.5, AMOLED and LTFS
2/23/2022

- High-end demand improving for mobile AMOLED and G10.5+
- Mainstream recovery continues, with slight Q/Q decline due to capacity dedicated to high-end products
- Outlook
 - Dynamic market environment
 - Mobile demand strength and mainstream LCD recovery expected to continue
 - Technology development drives demand for higher-value masks

Select Financial Data

\$M	Q122	Q421	Q121
Cash	\$ 314	\$ 277	\$ 279
Debt	\$ 97	\$ 112	\$ 102
Net Cash*	\$ 217	\$ 165	\$ 177
Operating Cash Flow	\$ 59	\$ 38	\$ 26
Capital Expenditures	\$ 19	\$ 17	\$ 18
Share repurchase	\$ 3	\$ 13	\$ 13

- Debt is US equipment lease and local China loans
- Total share repurchases of \$68M under current (Sep 2020) \$100M plan
- Capex mostly mainstream IC capacity & facility expansion
- 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
2/23/2022

Q2 22 Guidance

Revenue (\$M)	\$188 - \$196
Operating Margin	20% - 22%
Taxes (\$M)	\$9 - \$10
Diluted EPS	\$0.32 - \$0.38
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 investment
- Outlook clouded by geopolitical uncertainty and supply chain challenges
- Driving margin expansion and improved cash flows

Thank you for your interest!

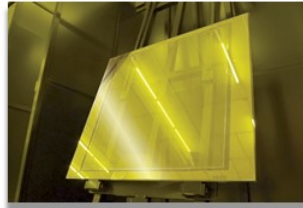
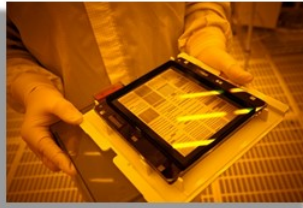
For Additional Information:

John P. Jordan

Executive Vice President & CFO

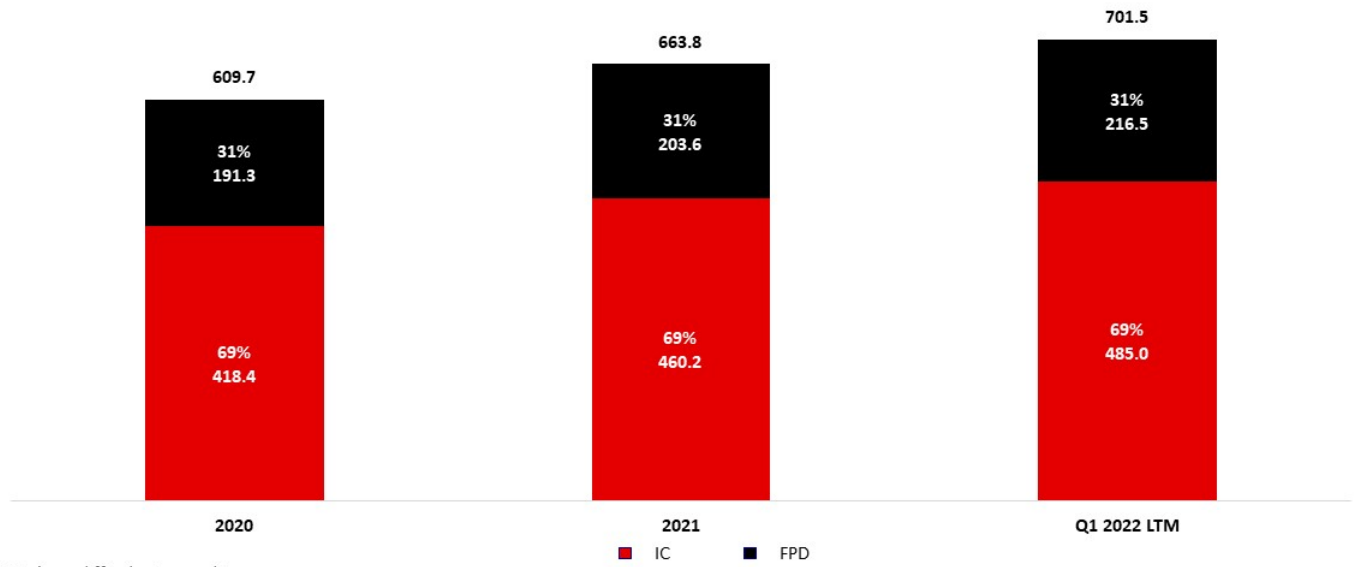
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Appendix

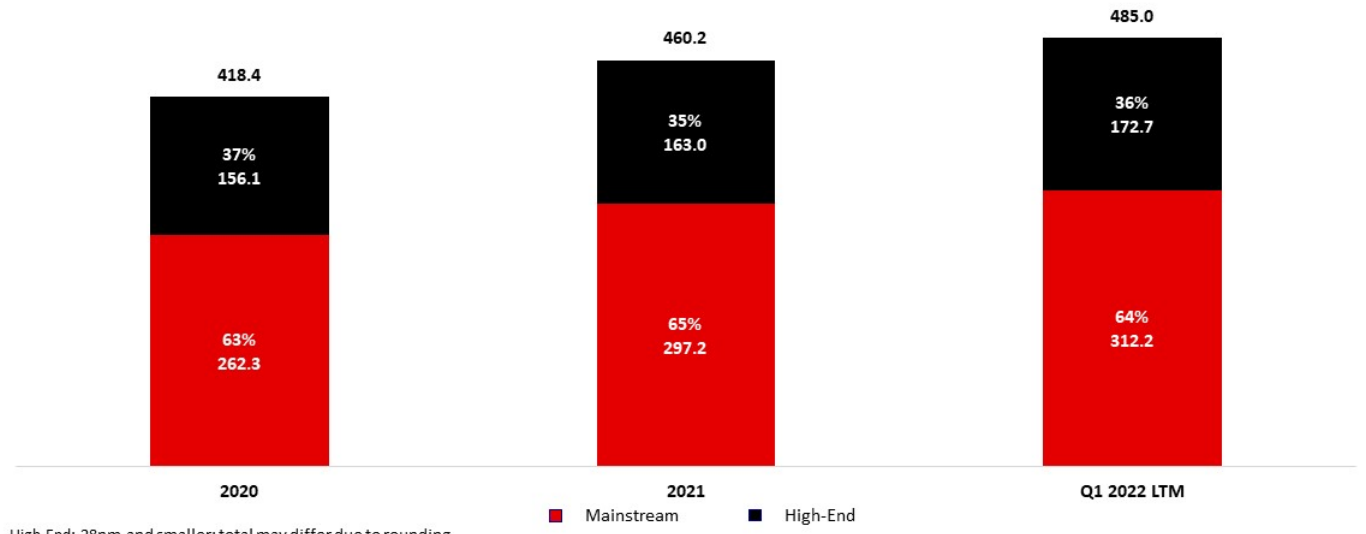
Total Revenue



Total may differ due to rounding

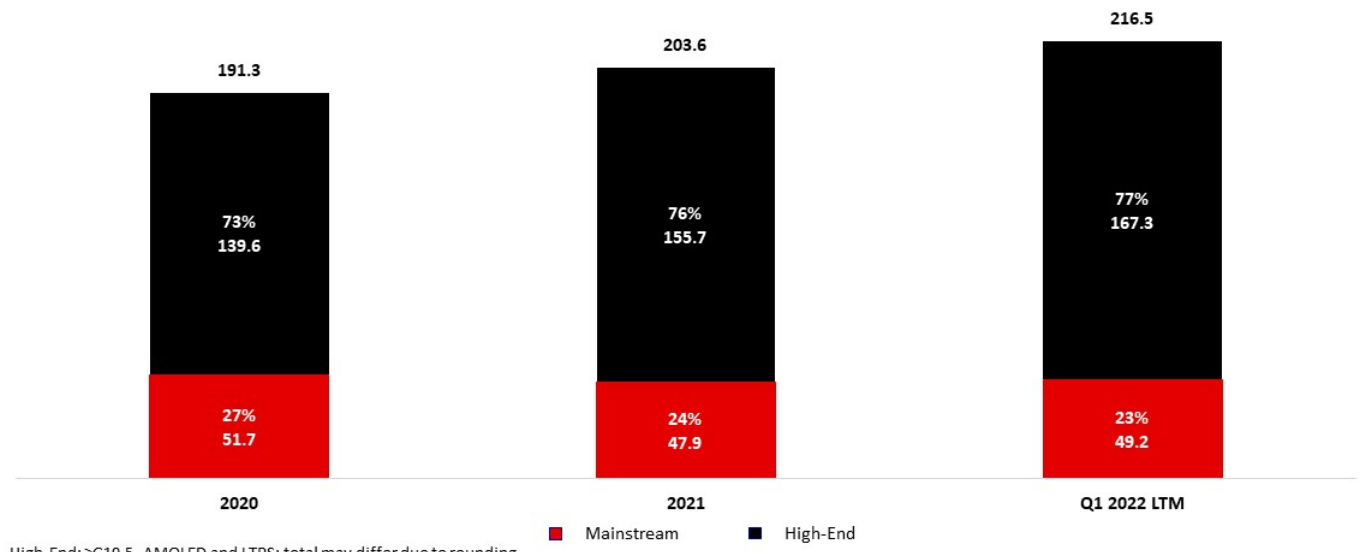
■ IC ■ FPD

IC Photomask Revenue



2/23/2022

FPD Photomask Revenue



2/23/2022

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

	Three-months ended	Year ended October 31,			Target Model
	January 30, 2022	2021	2020	2019	Two-year Horizon
GAAP Net cash provided by operating activities:	\$ 59,130	\$ 150,772	\$ 143,046	\$ 68,386	\$225,000 - 300,000
Purchases of property, plant and equipment	(19,175)	(109,099)	(70,815)	(178,375)	(100,000)
Government Incentives	-	5,775	5,263	27,003	-
Free Cash Flow	\$ 39,955	\$ 47,448	\$ 77,494	\$ (82,986)	\$ 125,000 - 200,000

Reconciliation of Free Cash flow to LTM Free Cash Flow:

	Free Cash Flow
Three Months Ended January 30, 2022	\$ 39,955
Year-ended October 31, 2021	47,448
Three-month ended January 31, 2021	(9,152)
LTM January 30, 2022	\$ 78,251

Reconciliation of Cash and cash equivalents to Net Cash:

	As of		
	January 30, 2022	October 31, 2021	January 31, 2021
Cash and cash equivalents	\$ 314,195	\$ 276,670	\$ 278,539
Current portion of Long-term debt	(18,307)	(22,248)	(21,641)
Long-term Debt	(78,540)	(89,446)	(79,984)
Net Cash	\$ 217,348	\$ 164,976	\$ 176,914