

Photronics, Inc.

Q1 2020 Financial Results Conference Call
March 4, 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.

Save the Date

Photronics Investor Day

Friday, May 29, 2020
New York Hilton Midtown
New York, NY

POSTPONED

Details to follow.

Contact Troy Dewar (tdewar@photronics.com) with questions.

Q1 2020 Summary

- ▶ **Record revenue of \$159.7M, up 2% Q/Q and 28% Y/Y**
 - Record FPD revenue driven by mobile displays and Hefei production ramp
 - IC revenue up Y/Y as design activity remains strong; seasonal softness in memory Q/Q
 - Record revenue of products shipped to China, up 13% Q/Q; represents 37% of total revenue
- ▶ **Net income attributable to Photronics, Inc. shareholders of \$10.3M (\$0.16/share)**
- ▶ **Cash balance grew to \$218M; \$31M operating cash generation**
- ▶ **Repurchased 0.9M shares for \$11M**
- ▶ **China production contributed \$20M to revenue; Hefei facility generated operating profit and positive operating cash flow**
- ▶ **Potential impact in Q2 due to coronavirus**

Successfully repositioned the business; China investments driving long-term, profitable growth

Income Statement Summary

<u>\$M (except EPS)</u>	<u>Q120</u>	<u>Q419</u>	<u>Q/Q</u>	<u>Q119</u>	<u>Y/Y</u>
Revenue	\$ 159.7	\$ 156.3	2%	\$ 124.7	28%
Gross Profit	\$ 34.6	\$ 38.2	(9%)	\$ 26.1	33%
<i>Gross Margin</i>	<i>21.7%</i>	<i>24.4%</i>	<i>(270 bps)</i>	<i>20.9%</i>	<i>80 bps</i>
Operating Income	\$ 16.3	\$ 21.5	(24%)	\$ 8.0	103%
<i>Operating Margin</i>	<i>10.2%</i>	<i>13.7%</i>	<i>(350 bps)</i>	<i>6.5%</i>	<i>370 bps</i>
Other income (expense)	\$ 3.7	(\$ 6.1)	\$ 9.8	\$ 1.1	\$ 2.6
Income tax provision	\$ 9.1	\$ 2.3	\$ 6.7	\$ 1.4	\$ 7.7
Minority interest	\$ 0.6	\$ 3.3	(\$ 2.7)	\$ 2.5	(\$ 1.9)
Net Income*	\$ 10.3	\$ 9.7	6%	\$ 5.3	96%
Diluted EPS*	\$ 0.16	\$ 0.15	\$ 0.01	\$ 0.08	\$ 0.08
<i>Days in quarter</i>	<i>94</i>	<i>95</i>	<i>(1)</i>	<i>88</i>	<i>6</i>

- ▶ **Gross and operating margin negatively affected by higher ramp and compensation expense**
- ▶ **China operations were \$2.9M negative impact to operating income; Hefei facility achieved operating profit**
- ▶ **Other income includes FX gain and higher China interest expense**
- ▶ **Minority interest reflects Taiwan JV gain offset by China JV loss**

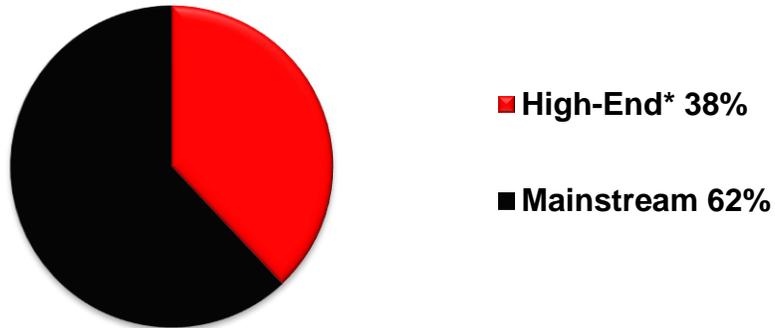
*Net income attributable to Photronics, Inc. shareholders

IC Photomask Revenue

<u>\$M</u>	<u>Q120</u>	<u>Q419</u>	<u>Q/Q</u>	<u>Q119</u>	<u>Y/Y</u>
High-End*	\$ 41.0	\$ 45.0	(9%)	\$ 34.6	19%
Mainstream	\$ 65.9	\$ 67.6	(2%)	\$ 60.3	9%
Total	\$ 107.0	\$ 112.5	(5%)	\$ 94.9	13%

Total may differ due to rounding

Q120 Revenue by Technology



*28nm and smaller

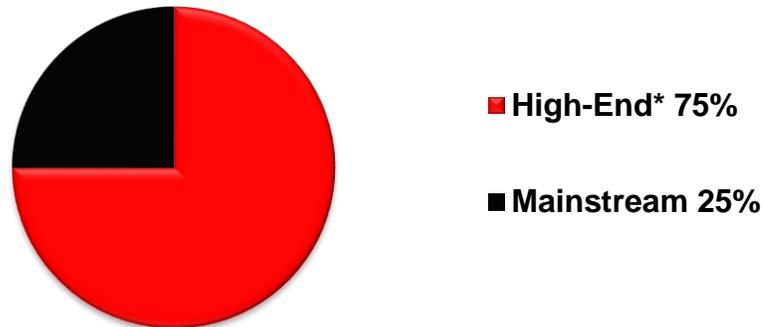
- ▶ **High-end down Q/Q on seasonal softness; Y/Y driven by strong logic and memory**
- ▶ **China revenue strong as design activity remains robust**
 - +3% Q/Q; +74% Y/Y
 - Represents 24% of Q120 IC revenue
- ▶ **Outlook**
 - High uncertainty related to coronavirus reaction
 - Otherwise, expect stable to improving high-end demand
 - Anticipate production ramping in Xiamen

FPD Photomask Revenue

<u>\$M</u>	<u>Q120</u>	<u>Q419</u>	<u>Q/Q</u>	<u>Q119</u>	<u>Y/Y</u>
High-End*	\$ 39.8	\$ 25.4	56%	\$ 15.4	159%
Mainstream	\$ 13.0	\$ 18.3	(29%)	\$ 14.5	(10%)
Total	\$ 52.8	\$ 43.7	21%	\$ 29.8	77%

Total may differ due to rounding

Q120 Revenue by Technology



*≥G10.5, AMOLED and LTPS

▶ **Record FPD revenue driven by mobile displays and China production ramp, including G10.5+**

▶ **China revenue**

- +22% Q/Q; +154% Y/Y
- Represents 62% of Q120 FPD revenue

▶ **Outlook**

- High uncertainty related to coronavirus reaction
- Mobile display demand expected to remain high
- Production should remain at capacity

New FPD High-End Definition

- ▶ **To align with industry trends and reflect our new operating environment, we redefined high-end FPD photomasks**
 - Old definition: AMOLED, G8.5 or greater (includes G10.5+)
 - New definition: AMOLED, G10.5+ (G8.5 now mainstream), LTPS
- ▶ **Table shows revenue splits per new definition**

	Full-year 2018	Q119	Q219	Q319	Q419	Full-year 2019
High-End FPD	52,942	15,350	22,051	23,088	25,435	85,924
Mainstream FPD	<u>66,270</u>	<u>14,482</u>	<u>10,942</u>	<u>14,839</u>	<u>18,283</u>	<u>58,546</u>
Total FPD	119,212	29,832	32,993	37,927	43,718	144,470

Select Financial Data

<u>\$M</u>	<u>Q120</u>	<u>Q419</u>	<u>Q119</u>
Cash	\$ 218	\$ 207	\$ 232
Debt	\$ 54	\$ 53	\$ 86
Net Cash*	\$ 164	\$ 154	\$ 146
Operating Cash Flow	\$ 31	\$ 45	(\$ 19)
Capital Expenditures	\$ 14	\$ 18	\$ 107
Government Incentives	\$ 2	\$ 9	\$ 5
Share repurchase	\$ 11	\$ 11	\$ 11

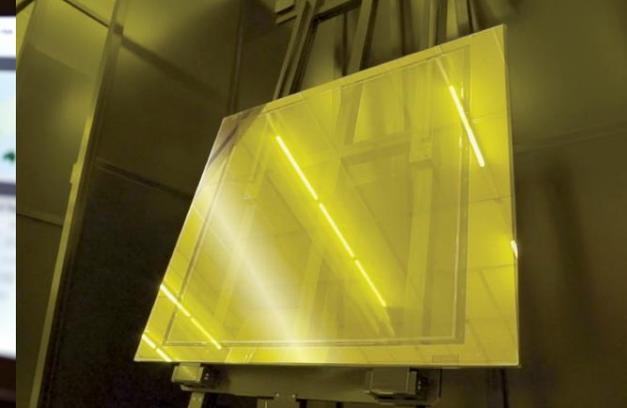
- ▶ **Debt is local China borrowing to finance fixed assets**
- ▶ **FY 2020 capex ~ \$100M (includes 2019 carryover & \$35M capital lease)**
- ▶ **Repurchased 0.9M shares for \$11M**
- ▶ **Balance sheet able to fund planned investments, share repurchases, and strategic M&A opportunities**

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

Q220 Guidance

Revenue (\$M)	\$145 - \$155
Operating Margin	7% - 11%
Taxes (\$M)	\$3.5 - \$4.5
EPS	\$0.11 - \$0.17
Diluted Shares (M)	~66

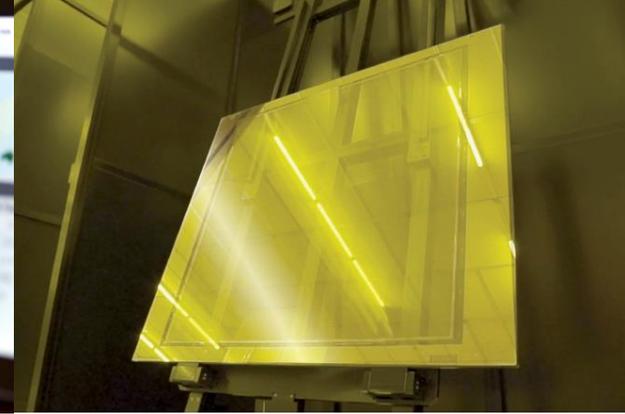
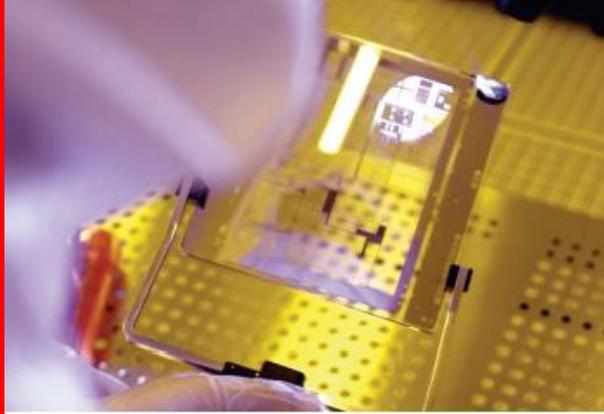
- ▶ **High uncertainty related to coronavirus reaction**
- ▶ **FPD demand growing (AMOLED, LTPS, G10.5+)**
- ▶ **High-end IC markets stable to improving**
- ▶ **Ramping China production (IC & FPD)**
- ▶ **Potential geopolitical headwind**



Thank you for your interest!

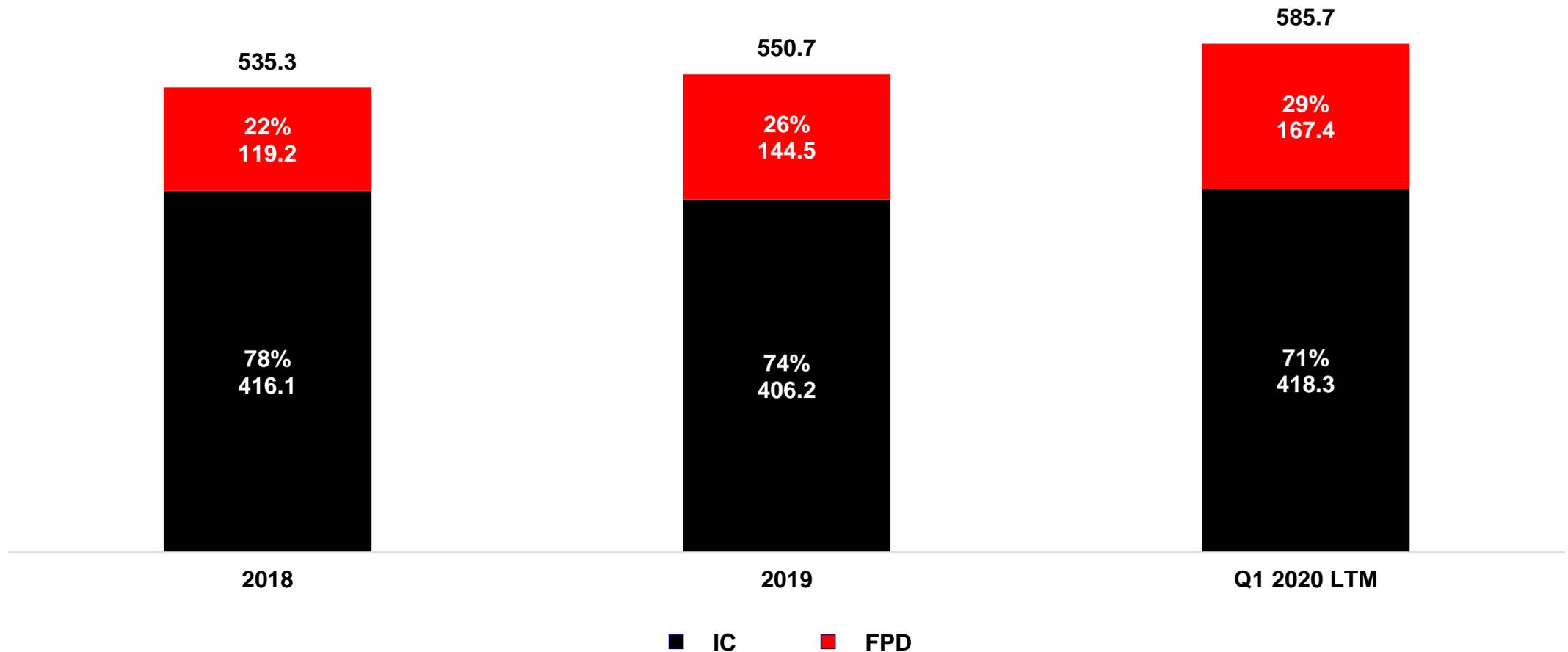
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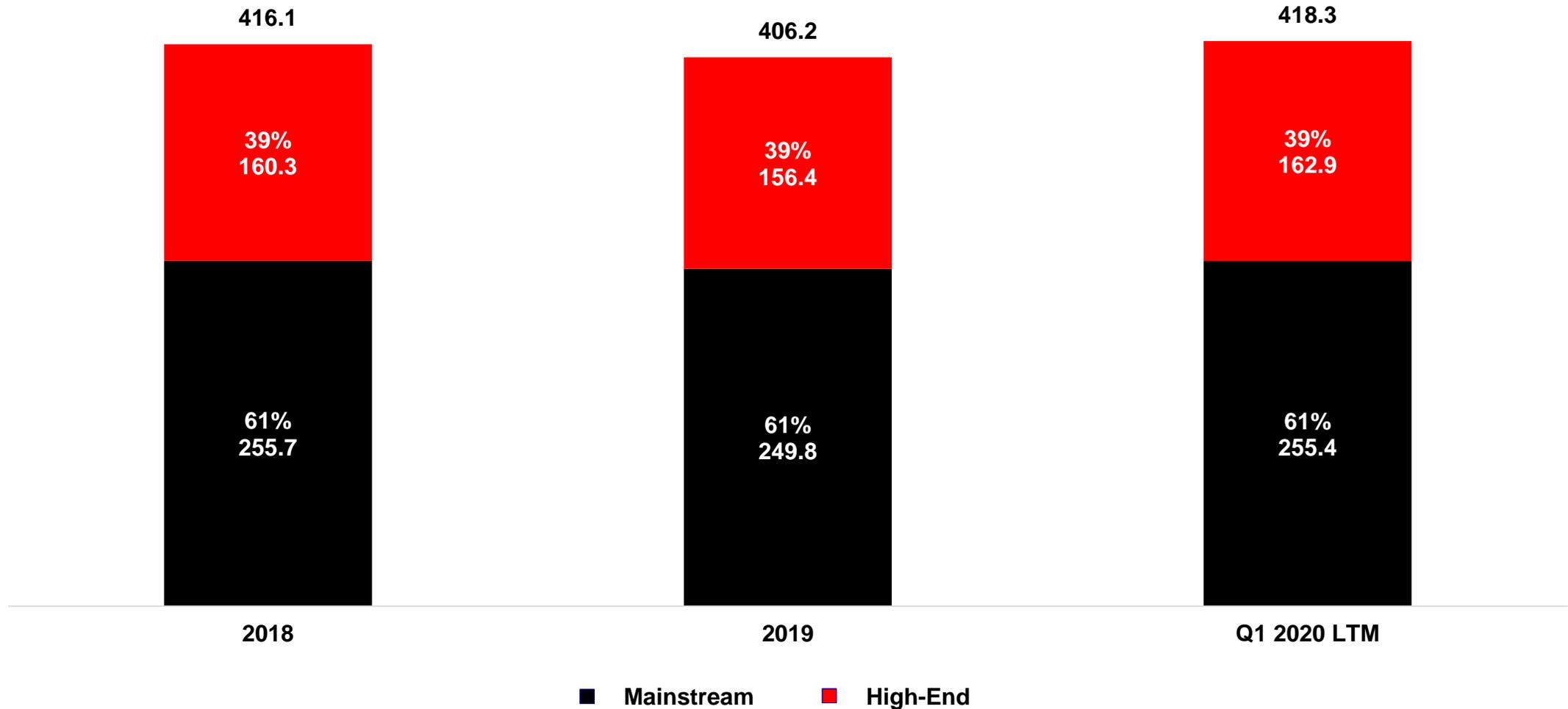


Appendix

Total Revenue

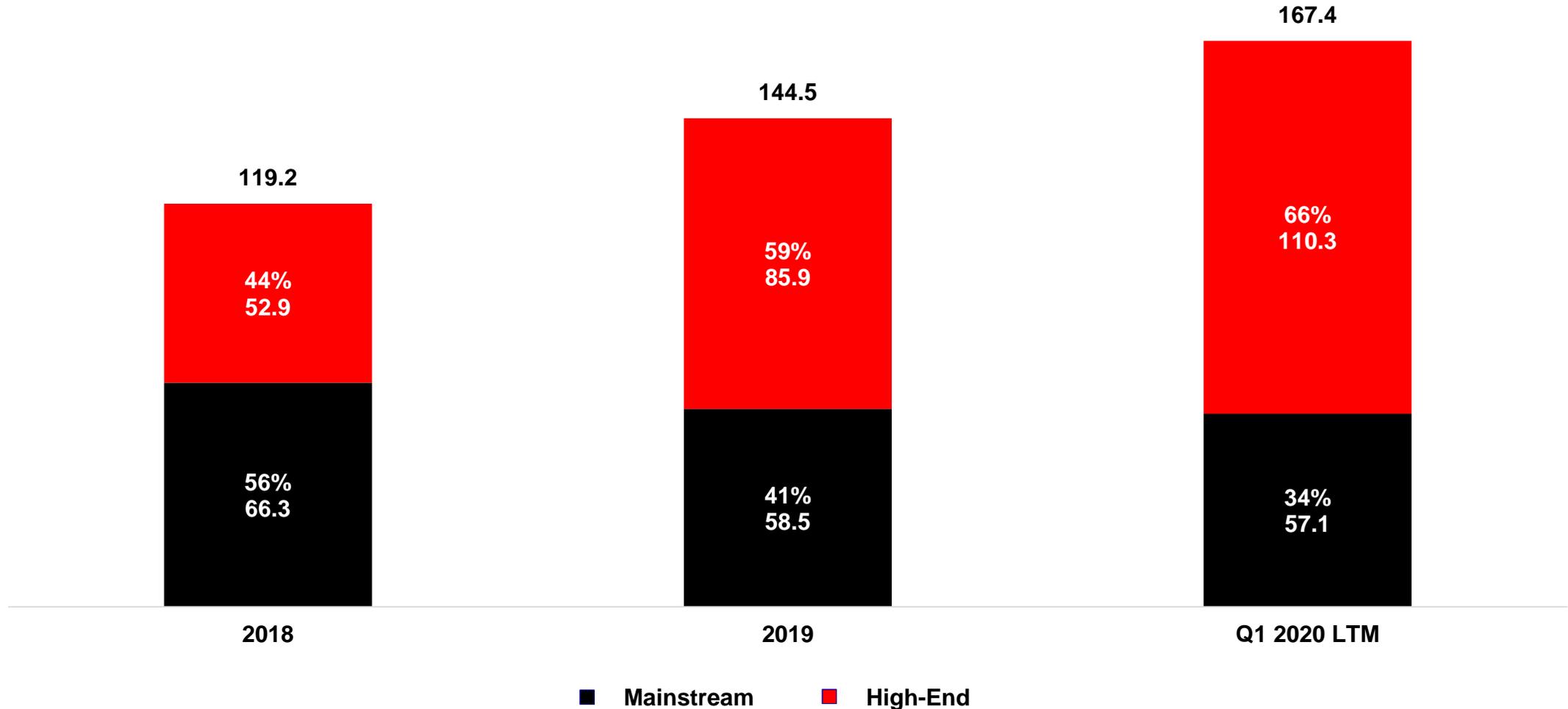


IC Photomask Revenue



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

FPD Photomask Revenue



High-End: \geq G10.5, AMOLED and LTPS; total may differ due to rounding