

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 21, 2019**

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.

Item 2.02 Results of Operation and Financial Condition

On February 21, 2019, the Corporation issued a press release reporting first quarter fiscal 2019 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 21, 2019, 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 27, 2019 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 February 21, 2019.
 - [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 2019 Financial Results Conference Call February 21, 2019 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: February 21, 2019



Press Release

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

Photronics Reports First Quarter Fiscal 2019 Results

- First quarter 2019 revenue was \$124.7 million, up 1% year-over-year and down 14% sequentially
- Net income attributable to Photronics, Inc. shareholders was \$5.3 million, or \$0.08 per diluted share
- Cash balance was \$232 million, with capital expenditures of \$107 million as China investments peaked
- Repurchased 1.1 million shares for \$10.7 million; cumulative repurchase of 3.7 million shares for \$33.8 million since July 2018¹
- Second quarter 2019 guidance: revenue between \$125 and \$135 million with diluted EPS between \$0.03 and \$0.10

BROOKFIELD, Conn. February 21, 2019 (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 2019 first quarter ended January 27, 2019.

First quarter revenue was \$124.7 million, 1% better than the same quarter last year and 14% lower than the previous quarter. Integrated circuit (IC) revenue was \$94.9 million, down 1% compared with last year and 14% sequentially. Flat panel display (FPD) revenue was \$29.8 million, up 7% compared with last year and down 12% sequentially.

Net income attributable to Photronics, Inc. shareholders was \$5.3 million (\$0.08 per diluted share), compared with \$5.9 million (\$0.09 per diluted share) for the first quarter of 2018 and \$12.5 million (\$0.18 per diluted share) for the fourth quarter of 2018.

"First quarter revenue met our expectations as strong results in AMOLED displays in China were somewhat offset by anticipated impact of seasonal softness, macroeconomic headwinds, and six fewer days than the fourth quarter of 2018," said Peter Kirlin, chief executive officer. "We saw weaker demand in IC, for both high-end and mainstream, due to semiconductor industry macro headwinds and seasonal softness. For FPD, AMOLED demand was solid once again as new product development and introduction continues. Pressure from lower revenue and startup expenses in China resulted in overall gross and operating margin of 20.9% and 6.5%, respectively. Cash balance at the end of the quarter was \$232 million as we invested \$107 million in capital expenditures, primarily for China. Work on our new China facilities is progressing and we anticipate production to begin in Hefei during the second quarter."

Second Quarter 2019 Guidance

For the second quarter of 2019, Photronics expects revenue to be between \$125 million and \$135 million, and net income attributable to Photronics, Inc. shareholders to be between \$0.03 and \$0.10 per diluted share.

Conference Call

A conference call to discuss these results is scheduled for 8:30 a.m. Eastern time on Thursday, February 21, 2019. 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.

1. The October 2018 share repurchase program of \$25 million has concluded.

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, political, 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.

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

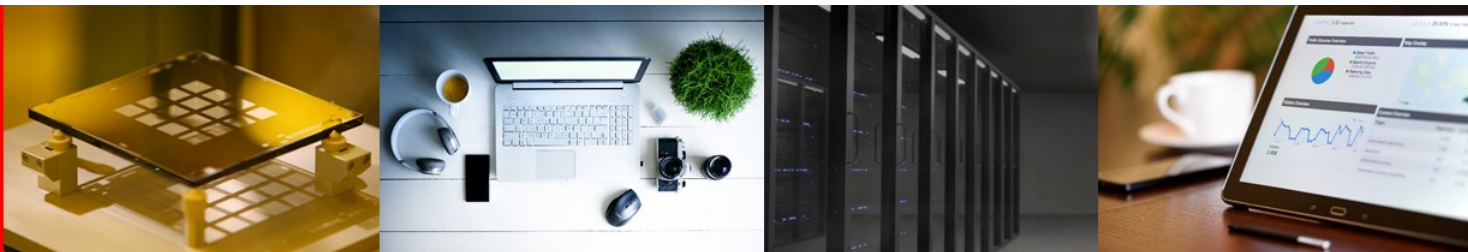
	Three Months Ended		
	January 27, 2019	October 31, 2018	January 28, 2018
Revenue	\$ 124,712	\$ 144,660	\$ 123,446
Cost of goods sold	98,610	109,236	95,784
Gross profit	26,102	35,424	27,662
Operating Expenses:			
Selling, general and administrative	13,792	13,504	11,750
Research and development	4,263	3,906	4,104
Total Operating Expenses	18,055	17,410	15,854
Operating income	8,047	18,014	11,808
Other income (expense), net	1,108	2,307	(4,105)
Income before income taxes	9,155	20,321	7,703
Income tax (provision) benefit	(1,387)	(3,552)	1,778
Net income	7,768	16,769	9,481
Net income attributable to noncontrolling interests	2,501	4,282	3,583
Net income attributable to Photronics, Inc. shareholders	\$ 5,267	\$ 12,487	\$ 5,898
Earnings per share:			
Basic	\$ 0.08	\$ 0.18	\$ 0.09
Diluted	\$ 0.08	\$ 0.18	\$ 0.09
Weighted-average number of common shares outstanding:			
Basic	66,583	67,894	68,755
Diluted	67,047	73,921	69,372

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

	<u>January 27,</u> <u>2019</u>	<u>October 31,</u> <u>2018</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 232,448	\$ 329,277
Accounts receivable	131,066	120,515
Inventories	27,874	29,180
Other current assets	<u>61,618</u>	<u>23,759</u>
Total current assets	453,006	502,731
Property, plant and equipment, net	656,873	571,781
Intangible assets, net	11,272	12,368
Other assets	<u>24,743</u>	<u>23,129</u>
Total assets	<u>\$ 1,145,894</u>	<u>\$ 1,110,009</u>
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	\$ 61,647	\$ 57,453
Accounts payable and accrued liabilities	<u>132,880</u>	<u>133,623</u>
Total current liabilities	194,527	191,076
Long-term debt	24,484	-
Other liabilities	13,713	14,364
Photronics, Inc. shareholders' equity	761,088	759,671
Noncontrolling interests	<u>152,082</u>	<u>144,898</u>
Total equity	<u>913,170</u>	<u>904,569</u>
Total liabilities and equity	<u>\$ 1,145,894</u>	<u>\$ 1,110,009</u>

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

	Three Months Ended	
	January 27, 2019	January 28, 2018
Cash flows from operating activities:		
Net income	\$ 7,768	\$ 9,481
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,781	22,363
Changes in operating assets, liabilities and other	(45,835)	(982)
Net cash (used in) provided by operating activities	(19,286)	30,862
Cash flows from investing activities:		
Purchases of property, plant and equipment	(106,925)	(10,995)
Government incentive	5,029	-
Other	19	(145)
Net cash used in investing activities	(101,877)	(11,140)
Cash flows from financing activities:		
Contribution from noncontrolling interest	29,394	11,998
Proceeds from long-term debt	28,180	-
Repayments of long-term debt	-	(1,381)
Dividends paid to noncontrolling interests	(26,102)	-
Purchase of treasury stock	(10,696)	-
Proceeds from share-based arrangements	650	798
Other	(45)	(261)
Net cash provided by financing activities	21,381	11,154
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	2,961	9,767
Net (decrease) increase in cash, cash equivalents, and restricted cash	(96,821)	40,643
Cash, cash equivalents, and restricted cash, beginning of period	331,989	310,936
Cash, cash equivalents, and restricted cash, end of period	\$ 235,168	\$ 351,579



Photronics, Inc.

**Q1 2019 Financial Results Conference Call
February 21, 2019**



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.

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.

Q1 2019 Summary

- ▶ **Revenue up 1% Y/Y; down 14% Q/Q on seasonal trend, macro headwinds, and fewer days in quarter**
 - IC down on softness from Asia customers
 - FPD high-end improved Y/Y on mobile AMOLED demand
- ▶ **Net income attributable to Photronics, Inc. shareholders of \$5.3M (\$0.08/share)**
- ▶ **Repurchased 1.1M shares for \$10.7M in Q119; cumulative repurchases of 3.7 million shares for \$33.8 million***
- ▶ **Capex of \$107M to support China investments**
- ▶ **China plants nearly production ready**
 - Hefei on schedule to begin production first half of 2019
 - One-quarter delay in Xiamen to align with market conditions

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

*The October 2018 share repurchase program of \$25 million expired February 1, 2019

Income Statement Summary

\$M (except EPS)	Q119	Q418	Q/Q	Q118	Y/Y
Revenue	\$ 124.7	\$ 144.7	(14%)	\$ 123.4	1%
Gross Profit	\$ 26.1	\$ 35.4	(26%)	\$ 27.7	(6%)
Gross Margin	20.9%	24.5%	(360 bps)	22.4%	(150 bps)
Operating Income	\$ 8.0	\$ 18.0	(55%)	\$ 11.8	(32%)
Operating Margin	6.5%	12.5%	(600 bps)	9.6%	(310 bps)
Other income (expense)	\$ 1.1	\$ 2.3	(\$ 1.2)	(\$ 4.1)	\$ 5.2
Income tax (benefit)	\$ 1.4	\$ 3.6	\$ 2.2	(\$ 1.8)	(\$ 3.2)
Minority interest	\$ 2.5	\$ 4.3	(\$ 1.8)	\$ 3.6	(\$ 1.1)
Net Income*	\$ 5.3	\$ 12.5	(58%)	\$ 5.9	(11%)
Diluted EPS*	\$ 0.08	\$ 0.18	(\$ 0.10)	\$ 0.09	(\$ 0.01)
Days in quarter	88	94	(6)	91	(3)

- ▶ **Gross profit includes \$3.6M in expenses due to China startup activity**
- ▶ **Operating expense increased due to China startup activity (\$1M), along with increased qualification activity and higher compensation**
- ▶ **Q118 results were improved by \$4.2 million (\$0.06/share) favorable tax benefits attributable to tax reform act**

*Net income attributable to Photronics, Inc. shareholders

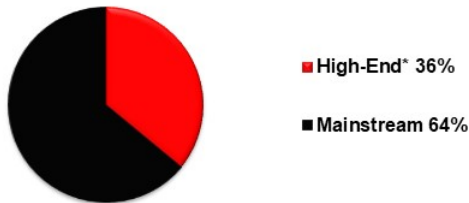


IC Photomask Revenue

\$M	Q119	Q418	Q/Q	Q118	Y/Y
High-End*	\$ 34.6	\$ 39.4	(12%)	\$ 33.4	4%
Mainstream	\$ 60.3	\$ 71.4	(16%)	\$ 62.3	(3%)
Total	\$ 94.9	\$ 110.9	(14%)	\$ 95.7	(1%)

Total may differ due to rounding

Q119 Revenue by Technology



*28nm and smaller

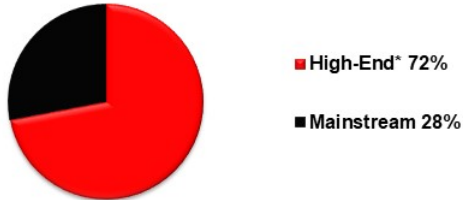
- ▶ **Market softness impacting high-end and mainstream**
 - High-end memory down on customer order timing
 - High-end logic up Y/Y, down Q/Q on industry softness
- ▶ **China IC revenue up 136% Y/Y; represents 16% of Q119 IC revenue**
- ▶ **Expect stable to improving high-end market demand (memory up; logic flat), with potential for macro headwinds**

FPD Photomask Revenue

\$M	Q119	Q418	Q/Q	Q118	Y/Y
High-End*	\$ 21.5	\$ 22.0	(2%)	\$ 18.8	14%
Mainstream	\$ 8.4	\$ 11.8	(29%)	\$ 9.0	(7%)
Total	\$ 29.8	\$ 33.8	(12%)	\$ 27.8	7%

Total may differ due to rounding

Q119 Revenue by Technology



*≥G8 and AMOLED

- ▶ **High-end up Y/Y on growing AMOLED demand for mobile displays**
- ▶ **Mainstream down due to lower LTPS and G8.5**
- ▶ **China revenue up 11% Y/Y**
 - Represents 43% of Q119 FPD revenue
 - G10.5+ production to begin Q219
- ▶ **AMOLED technology remains in high demand; expect to remain at or near capacity**

Select Financial Data

\$M	Q119	Q418	Q118
Cash	\$ 232	\$ 329	\$ 349
Debt	\$ 86	\$ 57	\$ 61
Net Cash*	\$ 146	\$ 272	\$ 288
Operating Cash Flow	(\$ 19)	\$ 44	\$ 31
Capital Expenditures	\$ 107	\$ 28	\$ 11
Share repurchase	\$ 11	\$ 16	-
LTM EBITDA	\$ 156	\$ 158	\$ 122

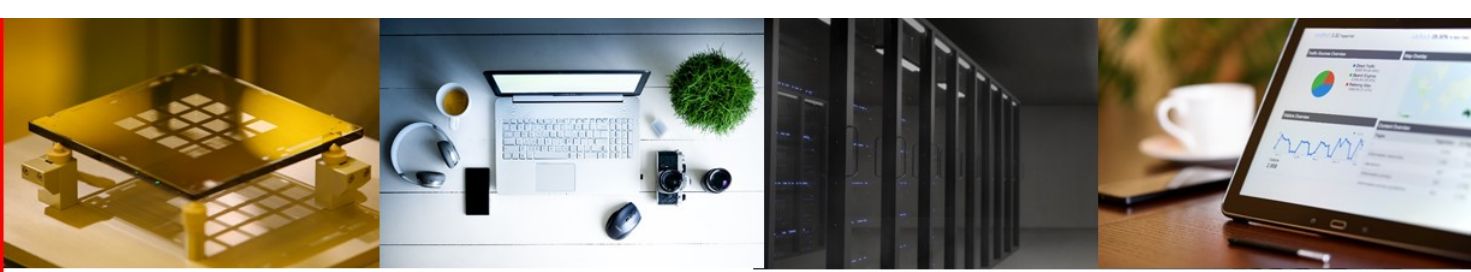
- ▶ **Cash balance reduced to fund China investments and cash used in operations (receivables timing and VAT payment)**
- ▶ **Some capex for Xiamen shifted into Q219; 2019 capex ~ \$210M**
- ▶ **Repurchased 1.1M shares during Q119 for \$10.7M; 3.7M shares repurchased to date for \$33.8M**
- ▶ **Balance sheet able to fund planned investments 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

Q219 Guidance

Revenue (\$M)	\$125 - \$135
Taxes (\$M)	\$1 - \$2
EPS	\$0.03 - \$0.10
Diluted Shares (M)	~67

- ▶ **Anticipate sequential growth in Q2**
 - High-end IC markets stable to improving
 - FPD expected to remain at capacity
 - Seasonal recovery; 3 more days
 - Potential macro headwind
- ▶ **Expect margin headwinds from China startup**
 - Anticipate EPS impact of \$0.03 - \$0.06 per quarter
 - Plan to be profitable in China by end of 2019

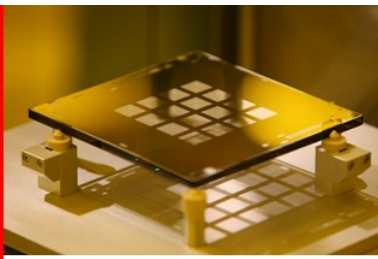


Thank you for your interest!

For Additional Information:

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

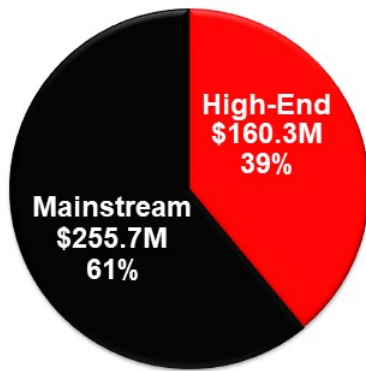




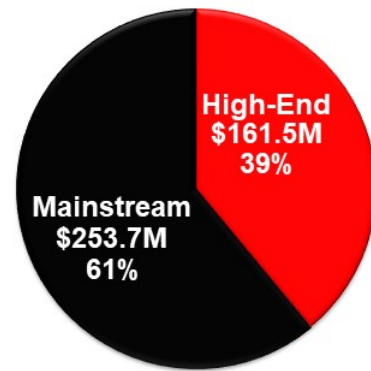
Appendix

IC Photomask Revenue

2018: \$416.1M



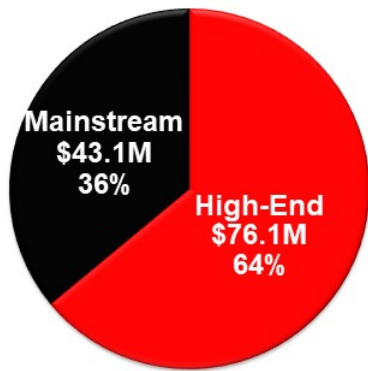
Q119 LTM: \$415.3M



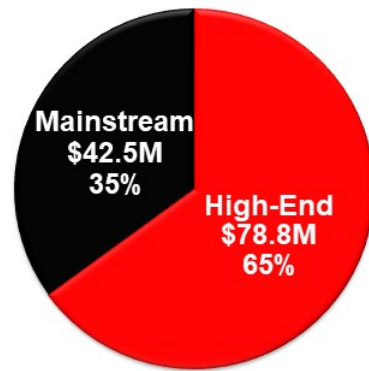
High-End: 28nm and smaller; total may differ due to rounding

FPD Photomask Revenue

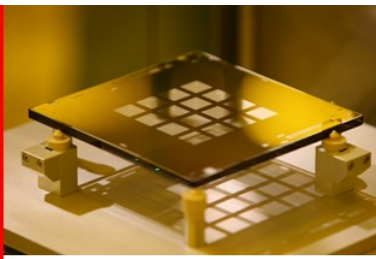
2018: \$119.2M



Q119 LTM: \$121.3M



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, except per share data)
(Unaudited)

	Three Months Ended							
	January 27, 2019	October 31, 2018	July 29, 2018	April 29, 2018	January 28, 2018	October 29, 2017	July 30, 2017	April 30, 2017
Reconciliation of GAAP Net Income to Non-GAAP Adjusted EBITDA								
GAAP Net Income	\$ 7,768	\$ 16,769	\$ 19,797	\$ 15,189	\$ 9,481	\$ 10,496	\$ 4,799	\$ 1,484
Interest expense	531	580	557	551	574	578	550	550
Income tax expense	1,387	3,552	2,054	3,508	(1,778)	2,462	333	431
Depreciation and amortization	18,781	19,848	20,056	22,066	22,363	22,492	21,840	21,345
Other items (a)	1,062	755	784	163	884	785	984	921
Non-GAAP Adjusted EBITDA	<u>\$ 29,529</u>	<u>\$ 41,504</u>	<u>\$ 43,248</u>	<u>\$ 41,477</u>	<u>\$ 31,524</u>	<u>\$ 36,813</u>	<u>\$ 28,506</u>	<u>\$ 24,731</u>
Non-GAAP Adjusted L-T-M EBITDA (b)	\$ 155,758	\$ 157,753	\$ 153,062	\$ 138,320	\$ 121,574			

Notes:

(a) Consists of stock compensation expense for all periods and gain on sale of certain assets in Q2 2018.

(b) Consists of the addition of the current quarter and the preceding 3 quarters.