

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 13, 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

Item 2.02. Results of Operations and Financial Condition.

On December 13, 2022, Photonics, Inc. (the “Company”) issued a press release reporting fiscal 2022 full year and fourth quarter ended October 31, 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 December 13, 2022, the Company will conduct a conference call during which certain unaudited, non-GAAP financial information related to the Company’s operations for its fiscal 2022 full year and fourth quarter ended October 31, 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 December 13, 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 Q4 2022 Financial Results Conference Call December 13, 2022 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 13, 2022



For Further Information:
John P. Jordan
Executive Vice President & CFO
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jjordan@photronics.com

Photronics Reports Full Year and Fourth Quarter Fiscal 2022 Results

BROOKFIELD, Conn. December 13, 2022 (GLOBE NEWSWIRE) — [Photronics, Inc.](#) (NASDAQ:PLAB), a worldwide leader in photomask technologies and solutions, today reported financial results for its fiscal 2022 full year and fourth quarter ended October 31, 2022.

“We posted a solid finish to a great year, achieving record revenue for the fifth consecutive year as demand for our design-driven products remained strong and our entire team performed well,” said Frank Lee, chief executive officer. “In the quarter, IC was soft, primarily due to lower high-end logic demand from foundries in Asia. High-end FPD also declined as panel makers of premium smart phones are focused on producing new products and have temporarily slowed design activity. Profit margins were flat sequentially as positive pricing and cost management offset the impact from lower volumes. We generated strong cash from operations, allowing us to invest in organic growth and reduce debt, strengthening our balance sheet and positioning us to support our growth strategy as well as helping us to navigate economic uncertainty. The global Photronics team performed well in 2022 and we believe we will continue to achieve our goals in 2023 and beyond.”

Full Year 2022 Results

- Revenue of \$824.5 million was up 24% over the previous year and was the fifth consecutive year of record revenue
- Net income attributable to Photronics, Inc. shareholders was \$118.8 million (\$1.94 per diluted share), compared with \$55.4 million (\$0.89 per diluted share) in 2021
- Integrated circuit (IC) revenue was \$593.0 million, up 29%
- Flat panel display (FPD) revenue was \$231.5 million, up 14%
- Cash and short-term investments increased to \$359 million, with \$275 million generated from operating activities and \$112 million invested in growth through capital expenditures

Fourth Quarter 2022 Results

- Revenue was \$210.3 million, down 4% sequentially and up 16% compared with the same period of last year
 - Net income attributable to Photronics, Inc. shareholders was \$37.1 million (\$0.60 per diluted share), compared with \$31.2 million (\$0.51 per diluted share) in the third quarter of 2022 and \$19.8 million (\$0.33 per diluted share) in the fourth quarter 2021
 - IC revenue was \$156.2 million, down 3% sequentially and up 25% compared with the same period of last year
 - FPD revenue was \$54.1 million, down 8% sequentially and down 3% compared with the same period of last year
 - Cash generated from operating activities was \$79 million and cash invested in growth through capital expenditures was \$66 million
-

First Quarter 2023 Guidance

For the first quarter of 2023, Photronics expects revenue to be between \$203 million and \$213 million and net income attributable to Photronics, Inc. shareholders to be between \$0.40 and \$0.48 per diluted share.

Webcast

A webcast to discuss these results is scheduled for 8:30 a.m. Eastern time on Tuesday, December 13, 2022. The webcast will be broadcast live and on-demand on the [Events and Presentations](#) link on the Photronics website or click [here](#). The webcast 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, 2022, the company had 1,828 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			Year Ended	
	October 31, 2022	July 31, 2022	October 31, 2021	October 31, 2022	October 31, 2021
Revenue	\$ 210,266	\$ 219,948	\$ 181,288	\$ 824,549	\$ 663,761
Cost of goods sold	129,997	136,085	129,347	530,336	496,717
Gross Profit	80,269	83,863	51,941	294,213	167,044
Operating Expenses:					
Selling, general and administrative	15,683	15,960	14,322	63,989	57,525
Research and development	4,045	4,151	4,100	18,341	18,490
Total Operating Expenses	19,728	20,111	18,422	82,330	76,015
Other operating (loss) income, net	-	(23)	-	(17)	3,525
Operating Income	60,541	63,729	33,519	211,866	94,554
Non-operating income, net	10,797	3,641	3,809	27,167	7,452
Income Before Income Tax Provision	71,338	67,370	37,328	239,033	102,006
Income tax provision	16,074	18,146	8,697	59,791	23,190
Net Income	55,264	49,224	28,631	179,242	78,816
Net income attributable to noncontrolling interests	18,204	17,994	8,820	60,456	23,367
Net income attributable to Photronics, Inc. shareholders	\$ 37,060	\$ 31,230	\$ 19,811	\$ 118,786	\$ 55,449
Earnings per share:					
Basic	\$ 0.61	\$ 0.51	\$ 0.33	\$ 1.96	\$ 0.90
Diluted	\$ 0.60	\$ 0.51	\$ 0.33	\$ 1.94	\$ 0.89
Weighted-average number of common shares outstanding:					
Basic	60,773	60,701	60,216	60,559	61,407
Diluted	61,374	61,299	60,908	61,189	61,999

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

	<u>October 31,</u> <u>2022</u>	<u>October 31,</u> <u>2021</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 319,680	\$ 276,670
Short-term investments	38,820	-
Accounts receivable	198,147	174,447
Inventories	50,753	55,249
Other current assets	<u>37,252</u>	<u>44,250</u>
Total current assets	644,652	550,616
Property, plant and equipment, net	643,873	696,553
Other assets	<u>27,305</u>	<u>47,033</u>
Total assets	<u>\$ 1,315,830</u>	<u>\$ 1,294,202</u>
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	\$ 10,024	\$ 22,248
Accounts payable and accrued liabilities	<u>183,773</u>	<u>153,900</u>
Total current liabilities	193,797	176,148
Long-term debt	32,310	89,446
Other liabilities	27,634	28,046
Photronics, Inc. shareholders' equity	831,527	823,692
Noncontrolling interests	<u>230,562</u>	<u>176,870</u>
Total equity	<u>1,062,089</u>	<u>1,000,562</u>
Total liabilities and equity	<u>\$ 1,315,830</u>	<u>\$ 1,294,202</u>

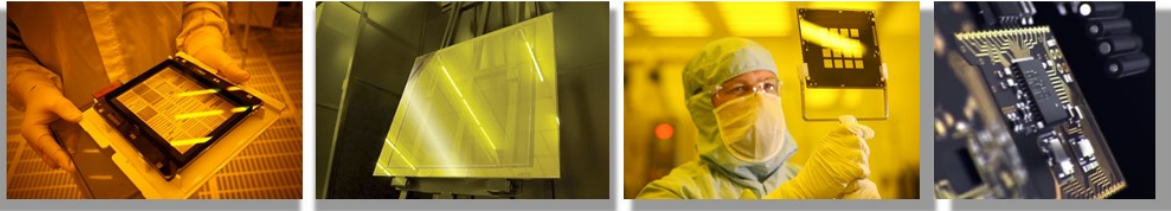
PHOTRONICS, INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

	Year Ended	
	October 31, 2022	October 31, 2021
Cash flows from operating activities:		
Net income	\$ 179,242	\$ 78,816
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	80,330	90,396
Share-based compensation	6,308	5,348
Changes in operating assets, liabilities and other	9,307	(23,788)
Net cash provided by operating activities	275,187	150,772
Cash flows from investing activities:		
Purchases of property, plant and equipment	(112,338)	(109,099)
Purchases of available-for-sale debt securities	(38,854)	-
Government incentives	3,615	5,775
Other	(180)	(170)
Net cash used in investing activities	(147,757)	(103,494)
Cash flows from financing activities:		
Repayments of debt	(65,440)	(20,352)
Purchases of treasury stock	(2,522)	(48,249)
Contributions from noncontrolling interest	24,995	-
Dividends paid to noncontrolling interests	-	(9,597)
Proceeds from share-based arrangements	5,749	3,874
Proceeds from long-term debt	-	20,858
Net settlements of restricted stock awards	(1,471)	(437)
Net cash used in financing activities	(38,689)	(53,903)
Effects of exchange rate changes on cash, cash equivalents, and restricted cash	(46,012)	4,703
Net increase (decrease) in cash, cash equivalents, and restricted cash	42,729	(1,922)
Cash, cash equivalents, and restricted cash, beginning of period	279,680	281,602
Cash, cash equivalents, and restricted cash, end of period	\$ 322,409	\$ 279,680



Photronics, Inc.

Q4 2022 Financial Results Conference Call
December 13, 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.

2022 Summary

Revenue
was a record

\$824.5M



+24%

IC: +29%

FPD: +14%

To China: +55%

\$320M

Cash
balance

\$ 39M

S-T
Investments

\$275M generated from operating activity

\$112M invested in capex

\$166M in free cash flow*

- Fifth consecutive year of record revenue, as customers continue to trust us for their photomask needs
- Gross and operating margins in target model range during second half of 2022
- Net income attributable to Photronics, Inc. shareholders of \$118.8M (\$1.94/share)

5th consecutive year of record revenue, demonstrating effectiveness of investment strategy

*Free Cash Flow is a non-GAAP term; see reconciliation included in this presentation

12/13/2022

Q4 2022 Summary

Revenue was

\$210.3M



IC: -3% Q/Q, +25% Y/Y

FPD: -8% Q/Q, -3% Y/Y

To China: +8% Q/Q; +39% Y/Y

\$320M

Cash
balance

\$ 39M

S-T
Investments

\$79M generated from operating activity

\$66M invested in capex

\$42M total long-term debt; reduced debt \$69M Y/Y

- Net income attributable to Photronics, Inc. shareholders of \$37.1M (\$0.60/share)
- Investing in mainstream IC capacity to capitalize on market growth trends

Committed to driving long-term, profitable growth through strategic investments

Investment Strategy

Revenue Growth

- Win lion's share of the impressive growth in TAM for China IC and FPD
- Supplement capacity with point tool investments and targeted expansions
- Capitalize on technology leadership in AMOLED to continue improving mix
- Leverage global footprint to exploit growth in "legacy foundry" business

Margin Expansion

- Sustainable pricing strength in high-end and mainstream IC
- Optimize asset tool set to match end-market demand
- Increasing benefit from operating leverage

Explore Strategic Partnerships

Delivering on Updated Target Model

<u>\$M (except EPS)</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>Illustrative FY 24 Target Model</u>		
Revenue	\$610	\$664	\$825	\$900	\$950	\$975
Gross Margin	22%	25%	36%	38-40%	40-42%	42-43%
Operating Margin	10%	14%	26%	28-30%	30-32%	32-33%
Operating Cash Flow	\$143	\$151	\$275	\$350-375	\$365-380	\$375-400
Free Cash Flow*	\$77	\$47	\$166	\$250-275	\$235-280	\$275-300
Diluted EPS	\$0.52	\$0.89	\$1.94	\$2.35-2.45	\$2.50-2.55	\$2.60-2.65

*Free Cash Flow is a non-GAAP term; see reconciliation included in this presentation
12/13/2022

Income Statement Summary

\$M (except EPS)	Q422	Q322	Q/Q	Q421	Y/Y
Revenue	\$ 210.3	\$ 219.9	(4%)	\$ 181.3	16%
Gross Profit	\$ 80.3	\$ 83.9	(4%)	\$ 51.9	55%
Gross Margin	38.2%	38.1%	10 bps	28.7%	950 bps
Operating Income	\$ 60.5	\$ 63.7	(5%)	\$ 33.5	81%
Operating Margin	28.8%	29.0%	(20 bps)	18.5%	1,030 bps
Non-operating income	\$ 10.8	\$ 3.6	\$ 7.2	\$ 3.8	\$ 7.0
Income tax provision	\$ 16.1	\$ 18.1	(\$ 2.0)	\$ 8.7	\$ 7.4
Minority interest	\$ 18.2	\$ 18.0	\$ 0.2	\$ 8.8	\$ 9.4
Net income*	\$ 37.1	\$ 31.2	19%	\$ 19.8	87%
Diluted EPS*	\$ 0.60	\$ 0.51	\$ 0.09	\$ 0.33	\$ 0.27
Days in quarter	92	91	1	91	1

*Net income attributable to Photronics, Inc. shareholders
12/13/2022

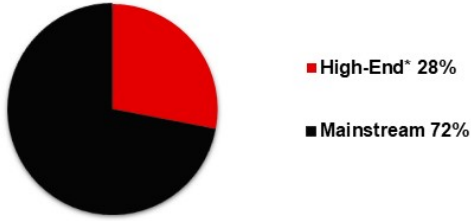
- Margins essentially flat Q/Q as cost management and IC price realization offset impact of lower revenue
- Non-operating income primarily consists of unrealized FX gain
- Minority interest from strong net income of IC JVs in Taiwan and China

IC Photomask Revenue

\$M	Q422	Q322	Q/Q	Q421	Y/Y
High-End*	\$ 44.3	\$ 52.7	(16%)	\$ 42.6	4%
Mainstream	\$ 111.9	\$ 108.6	3%	\$ 82.9	35%
Total	\$ 156.2	\$ 161.3	(3%)	\$ 125.4	25%

Total may differ due to rounding

Q422 Revenue by Technology



*28nm and smaller
12/13/2022

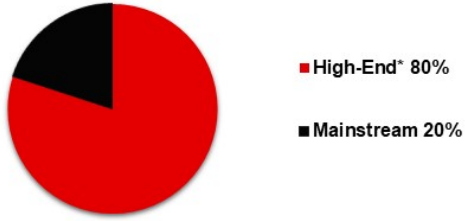
- High-end declined Q/Q on lower foundry/logic demand in Asia
- Continued mainstream growth from chip proliferation in consumer products, IoT, 5G, and Crypto supporting higher ASPs
- Outlook
 - New designs by customers to gain market share and support technology roadmap
 - Regionalization driving investments for global chip capacity
 - Expanding ASPs on positive supply/demand balance

FPD Photomask Revenue

\$M	Q422	Q322	Q/Q	Q421	Y/Y
High-End*	\$ 43.4	\$ 50.7	(14%)	\$ 41.0	6%
Mainstream	\$ 10.6	\$ 8.0	33%	\$ 14.9	(28%)
Total	\$ 54.1	\$ 58.7	(8%)	\$ 55.8	(3%)

Total may differ due to rounding

Q422 Revenue by Technology



*≥G10.5, AMOLED and LTPS
12/13/2022

- Lower Q/Q high-end demand for mobile displays and G10.5+ for ultra-large screen TVs
- Mainstream increased sequentially as we filled capacity from high-end decline
- Outlook
 - Mobile demand should recover with rollout of new designs
 - Technology development drives demand for higher-value masks

Select Financial Data

<u>\$M</u>	<u>Q422</u>	<u>Q322</u>	<u>Q421</u>
Cash	\$ 359	\$ 381	\$ 277
Debt	\$ 42	\$ 57	\$ 112
Net Cash*	\$ 316	\$ 324	\$ 165
Operating Cash Flow	\$ 79	\$ 93	\$ 38
Capital Expenditures	\$ 66	\$ 12	\$ 17
Share repurchase	-	-	\$ 13

*Net cash defined is a non-GAAP term; see reconciliation included in this presentation
12/13/2022

- Cash includes cash equivalents and short-term investments.
- Debt primarily comprised of US equipment leases and local China loans; reduced debt \$69M in 2022
- Full-year capex was \$109M (net of gov't subsidies), mostly mainstream IC capacity & facility expansion
- Balance sheet able to fund investments, share repurchases, and strategic M&A opportunities
- Total share repurchases of \$68M under current (Sep 2020) \$100M authorization

Q1 2023 Guidance

Revenue (\$M)	\$203 - \$213
Operating Margin	25% - 29%
Taxes (\$M)	\$12 - \$15
Diluted EPS	\$0.40 - \$0.48
Diluted Shares (M)	~61
Full-year Capex (M)	~\$130

- Incorporation of chips in IoT, 5G, Crypto and consumer products
 - Remote work and learning
 - Advanced display technologies
 - Growing nationalism spurs regional investments in capacity
- Outlook clouded by geopolitical uncertainty, rising inflation and supply chain challenges
- Driving margin expansion and cash flows to achieve long-term target model

Thank you for your interest!

For Additional Information:

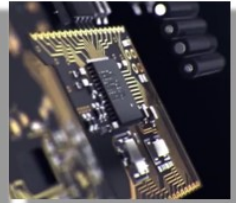
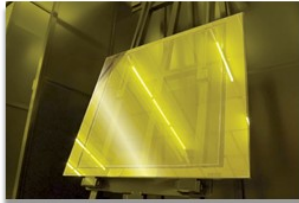
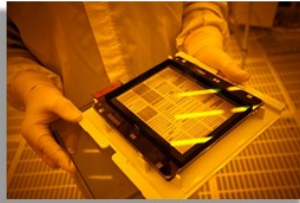
Please contact

John P. Jordan

Executive Vice President & CFO

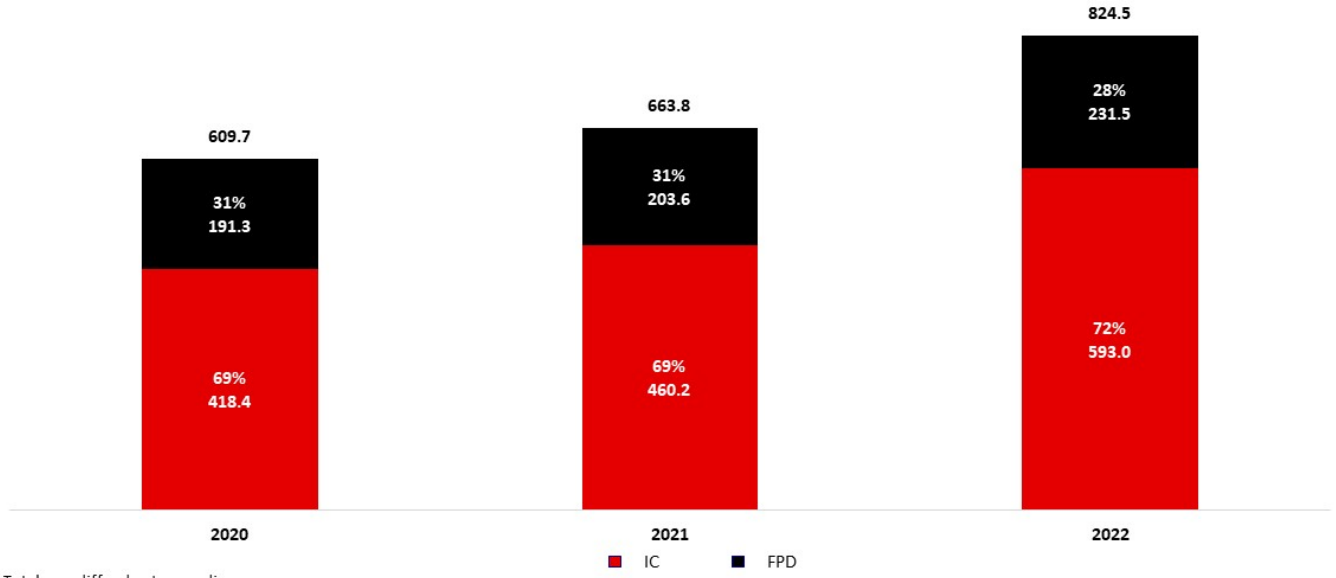
203.740.5671

jjordan@photonics.com



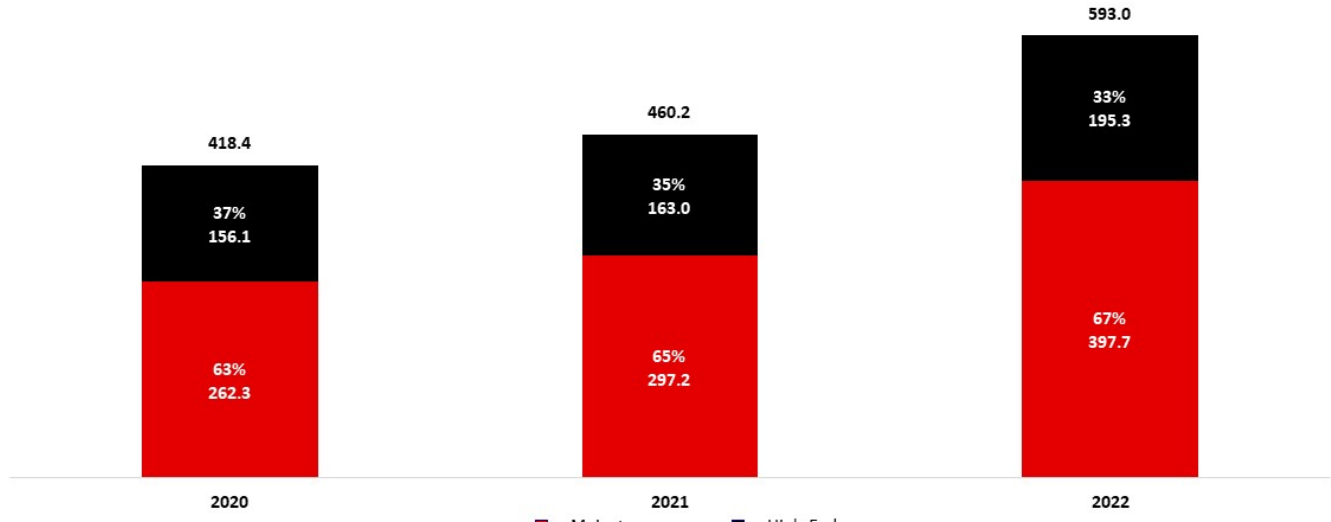
Appendix

Total Revenue



Total may differ due to rounding

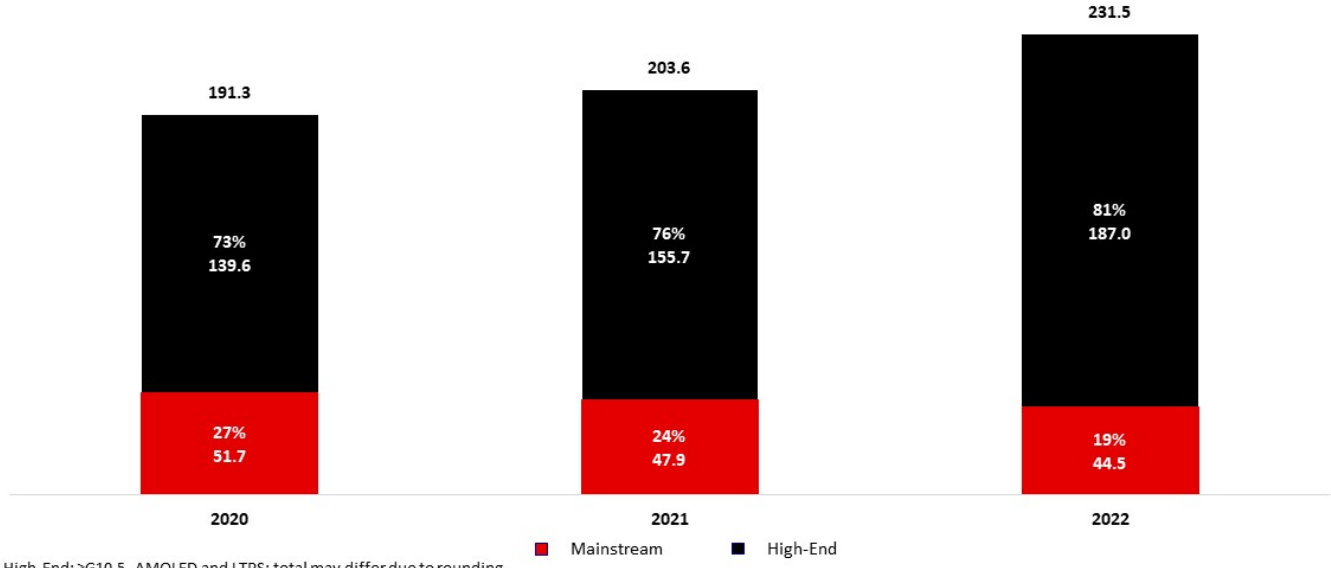
IC Photomask Revenue



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

■ Mainstream ■ High-End

FPD Photomask Revenue



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

12/13/2022

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

	Year ended				Target Model Two-year Horizon
	October 31, 2022	October 31, 2021	October 31, 2020	October 31, 2019	
GAAP Net cash provided by operating activities	\$ 275,187	\$ 150,772	\$ 143,046	\$ 68,386	\$ 350,000 - 400,000
Purchases of property, plant and equipment	(112,338)	(109,099)	(70,815)	(178,375)	(100,000)
Government incentives	3,615	5,775	5,263	27,003	-
Free Cash Flow	<u>\$ 166,464</u>	<u>\$ 47,448</u>	<u>\$ 77,494</u>	<u>\$ (82,986)</u>	<u>\$ 250,000 - 300,000</u>

Reconciliation of Cash and cash equivalents to Net Cash:

	As of	
	October 31, 2022	October 31, 2021
Cash and cash equivalents	\$ 319,680	\$ 276,670
Short-term investments	38,820	-
Current portion of Long-term debt	(10,024)	(22,248)
Long-term Debt	(32,310)	(89,446)
Net Cash	<u>\$ 316,166</u>	<u>\$ 164,976</u>