

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 18, 2016**

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 Number)

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))

Item 2.02 Results of Operations and Financial Condition

On May 18, 2016 the Company issued a press release reporting second quarter fiscal 2016 results. A copy of the press release is attached to this 8-K.

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, 99.5 and 99.6 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 18, 2016, the Company will conduct a conference call during which certain unaudited, non-GAAP EBITDA financial information related to the Company’s operations for the three months ended May 1, 2016 will be disclosed. This information is set forth in Exhibit 99.6.

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.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

99.1	Press Release dated May 18, 2016
99.2	Condensed Consolidated Statements of Income
99.3	Condensed Consolidated Balance Sheets
99.4	Condensed Consolidated Statements of Cash Flows
99.5	Reconciliation of GAAP to Non-GAAP Financial Information
99.6	Reconciliation of GAAP Net Income to Non-GAAP EBITDA

SIGNATURES

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)

DATE: May 18, 2016

BY /s/ *Richelle E. Burr*

Richelle E. Burr

Vice President, General Counsel

PHOTRONICS, INC.



For Further Information:
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Director, Investor Relations
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Press Release

Photronics Reports Second Quarter Fiscal 2016 Results

- Second quarter sales were \$122.9 million, down 3% compared with last year
- Net income of \$11.9 million (\$0.16 per diluted share) includes net, non-recurring tax benefit of \$3.0 million (\$0.03 per diluted share)
- FPD sales increased 36% year-over-year, with high-end FPD sales up 66%; investing \$40 million through 2017 in additional FPD capacity and capability
- Reduced total debt \$60 million and grew net cash \$23 million sequentially, providing additional financial strength and flexibility to fund growth
- Third quarter 2016 guidance: sales between \$118 and \$128 million; diluted EPS between \$0.10 and \$0.18

BROOKFIELD, Connecticut – May 18, 2016 — Photronics, Inc. (NASDAQ:PLAB), a worldwide leader in supplying innovative imaging technology solutions for the global electronics industry, today reported financial results for fiscal 2016 second quarter ended May 1, 2016.

Second quarter sales were \$122.9 million, down 3% compared with last year and 5% sequentially. Sales of flat panel display (FPD) photomasks were \$32.0 million, up 36% compared with last year and 6% sequentially, while sales of integrated circuits (IC) photomasks were \$90.9 million, down 12% from the same period last year and 9% from last quarter. Net income attributable to Photronics, Inc. shareholders was \$11.9 million (\$0.16 per diluted share) and included a net, non-recurring tax benefit of \$3.0 million (\$0.03 per diluted share) primarily related to the recognition of certain tax benefits in Taiwan, compared with \$10.1 million (\$0.14 per diluted share), for the second quarter of 2015.

"FPD sales remained extremely strong this quarter, as customers continue to release new, innovative products, such as AMOLED displays for mobile applications, and our capacity remains sold out," stated Peter Kirlin, chief executive officer. "Unfortunately, the strong demand for FPD masks was not enough to offset softer IC demand, especially at the high-end, causing overall sales to fall and profit margins to slip. On the positive side, we generated cash from operations and reduced total debt by \$60 million, primarily due to the redemption of our convertible debt. Additionally, subsequent to quarter-end, we received the anticipated \$93 million payment from Micron for the termination of our JV in early May. With the strong balance sheet and based upon the current and anticipated demand for FPD, we are investing approximately \$40 million through 2017 in additional FPD capability and capacity, which should enable sales growth by mid-2017. This is just one example of the type of investments we are planning over the next several years to continue to profitably grow our business."

Year-to-date Results

Year-to-date sales were \$252.9 million, up 1% compared with last year. Sales of IC photomasks were down 7%, while sales of FPD photomasks increased 37%. GAAP net income attributable to Photronics, Inc. shareholders was \$32.9 million (\$0.44 per diluted share), compared with \$13.9 million (\$0.21 per diluted share) in 2015. Non-GAAP net income attributable to Photronics, Inc. shareholders was \$21.1 million (\$0.29 per diluted share), compared with \$14.8 million (\$0.22 per diluted share) in 2015.

Third Quarter 2016 Guidance

Kirlin continued, "Industry data points and customer commentary continue to support increasing IC logic demand for the second half of the year. However, with the termination of our joint venture with Micron earlier this month, we do anticipate lower demand from them. FPD should remain strong as the industry launches new high-end products." For the third quarter of 2016, Photronics expects revenues to be between \$118 million and \$128 million and net income attributable to Photronics, Inc. shareholders to be between \$0.10 and \$0.18 per diluted share.

Non-GAAP Financial Measures

Non-GAAP net income attributable to Photronics, Inc. shareholders and non-GAAP earnings per share are "non-GAAP financial measures," as such term is defined by the Securities and Exchange Commission, and may differ from non-GAAP financial measures used by other companies. The attached financial supplement reconciles non-GAAP financial information with Photronics, Inc.'s financial results under GAAP. Photronics, Inc. believes that non-GAAP net income attributable to Photronics, Inc. shareholders and non-GAAP earnings per share that exclude certain non-cash or non-recurring income or expense items are useful for analysts and investors to evaluate Photronics, Inc.'s future on-going performance because they enable a more meaningful comparison of Photronics, Inc.'s projected earnings and performance with its historical results of prior periods. These non-GAAP metrics, in particular non-GAAP net income attributable to Photronics, Inc. shareholders and non-GAAP earnings per share, are not intended to represent funds available for Photronics, Inc.'s discretionary use and are not intended to represent, or be used as a substitute for, operating income, net income or cash flows from operations data 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 consolidated statements of operations and must be considered in performing a comprehensive assessment of overall financial performance. Non-GAAP financial information is adjusted for the following items:

- Net, non-recurring tax benefit related to the recognition of certain tax benefits in Taiwan
 - Non-recurring net gain on sale of investment in fiscal 2016
 - Financing expenses in fiscal 2015 related to the exchange of convertible senior notes
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The presentation of this financial information should not be considered in isolation from, or as a substitute for the financial information prepared and presented in accordance with accounting principles generally accepted in the United States. The attached financial supplement reconciles non-GAAP financial information with Photronics, Inc.'s financial results under GAAP.

Conference Call

A conference call with investors and the media to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, May 18, 2016. 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.

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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 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.

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

	Three Months Ended		Six Months Ended	
	May 1, 2016	May 3, 2015	May 1, 2016	May 3, 2015
Net sales	\$ 122,923	\$ 127,309	\$ 252,879	\$ 250,814
Costs and expenses:				
Cost of sales	(91,636)	(94,214)	(186,156)	(189,535)
Selling, general and administrative	(11,024)	(12,421)	(23,222)	(24,365)
Research and development	(5,447)	(5,809)	(11,148)	(10,490)
Operating income	14,816	14,865	32,353	26,424
Gain on sale of investment	-	-	8,785	-
Other expense, net	(2,989)	(1,457)	(2,111)	(2,740)
Income before income taxes	11,827	13,408	39,027	23,684
Income tax benefit (provision)	2,326	(1,252)	(1,374)	(4,386)
Net income	14,153	12,156	37,653	19,298
Net income attributable to noncontrolling interests	(2,299)	(2,096)	(4,797)	(5,401)
Net income attributable to Photronics, Inc. shareholders	\$ 11,854	\$ 10,060	\$ 32,856	\$ 13,897
Earnings per share:				
Basic	\$ 0.18	\$ 0.15	\$ 0.49	\$ 0.21
Diluted	\$ 0.16	\$ 0.14	\$ 0.44	\$ 0.21
Weighted-average number of common shares outstanding:				
Basic	67,372	66,230	67,090	66,148
Diluted	77,516	78,228	78,326	72,624

PHOTRONICS, INC. AND SUBSIDIARIES**Condensed Consolidated Balance Sheets**

(in thousands)

(Unaudited)

	<u>May 1,</u> <u>2016</u>	<u>November 1,</u> <u>2015</u>
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 193,978	\$ 205,867
Accounts receivable	104,330	110,056
Inventories	24,510	24,157
Other current assets	24,409	24,034
	<u>347,227</u>	<u>364,114</u>
Property, plant and equipment, net	523,669	547,284
Investment in joint venture	92,911	93,021
Intangible assets, net	22,071	24,616
Other assets	16,030	16,520
	<u>\$ 1,001,908</u>	<u>\$ 1,045,555</u>
<u>Liabilities and Equity</u>		
Current liabilities:		
Current portion of long-term borrowings	\$ 5,806	\$ 65,495
Accounts payable and accrued liabilities	108,311	127,197
	<u>114,117</u>	<u>192,692</u>
Long-term borrowings	64,419	67,120
Other liabilities	20,600	23,677
Photronics, Inc. shareholders' equity	693,284	646,555
Noncontrolling interests	109,488	115,511
Total equity	<u>802,772</u>	<u>762,066</u>
	<u>\$ 1,001,908</u>	<u>\$ 1,045,555</u>

PHOTRONICS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows

(in thousands)

(Unaudited)

	Six Months Ended	
	May 1, 2016	May 3, 2015
Cash flows from operating activities:		
Net income	\$ 37,653	\$ 19,298
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	40,832	40,318
Gain on sale of investment	(8,785)	-
Changes in assets and liabilities and other	(4,561)	(1,709)
Net cash provided by operating activities	<u>65,139</u>	<u>57,907</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(34,928)	(67,935)
Proceeds from sale of investments	8,785	-
Other	193	(218)
Net cash used in investing activities	<u>(25,950)</u>	<u>(68,153)</u>
Cash flows from financing activities:		
Repayments of long-term borrowings	(54,951)	(4,751)
Proceeds from share-based arrangements	3,046	1,195
Other	(19)	(76)
Net cash used in financing activities	<u>(51,924)</u>	<u>(3,632)</u>
Effect of exchange rate changes on cash	<u>846</u>	<u>(3,001)</u>
Net decrease in cash and cash equivalents	(11,889)	(16,879)
Cash and cash equivalents, beginning of period	<u>205,867</u>	<u>192,929</u>
Cash and cash equivalents, end of period	<u>\$ 193,978</u>	<u>\$ 176,050</u>

PHOTRONICS, INC. AND SUBSIDIARIES
Reconciliation of GAAP to Non-GAAP Financial Information
(in thousands, except per share data)
(Unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>May 1, 2016</u>	<u>May 3, 2015</u>	<u>May 1, 2016</u>	<u>May 3, 2015</u>
Reconciliation of GAAP to Non-GAAP Net Income Attributable to Photronics, Inc. Shareholders				
GAAP net income attributable to Photronics, Inc. shareholders	\$ 11,854	\$ 10,060	\$ 32,856	\$ 13,897
(a) Income tax benefit	(3,004)	-	(3,004)	-
(b) Gain on sale of investment, net of tax	-	-	(8,753)	-
(c) Financing expenses, net of tax	-	-	-	901
Non-GAAP net income attributable to Photronics, Inc. shareholders	<u>\$ 8,850</u>	<u>\$ 10,060</u>	<u>\$ 21,099</u>	<u>\$ 14,798</u>

Reconciliation of GAAP to Non-GAAP Net Income Applicable to Common Shareholders

Weighted average number of diluted shares outstanding				
GAAP	<u>77,516</u>	<u>78,228</u>	<u>78,326</u>	<u>72,624</u>
Non-GAAP	<u>77,516</u>	<u>78,228</u>	<u>78,326</u>	<u>78,166</u>
Net income per diluted share				
GAAP	<u>\$ 0.16</u>	<u>\$ 0.14</u>	<u>\$ 0.44</u>	<u>\$ 0.21</u>
Non-GAAP	<u>\$ 0.13</u>	<u>\$ 0.14</u>	<u>\$ 0.29</u>	<u>\$ 0.22</u>

- (a) Represents net, non-recurring tax benefit related to the recognition of certain tax benefits in Taiwan
- (b) Represents gain on sale of investment in a foreign entity
- (c) Represents financing expenses related to the exchange of \$57.5 million of 3.25% convertible senior notes

PHOTRONICS, INC. AND SUBSIDIARIES
Non-GAAP Financial Measure
Reconciliation of GAAP Net Income to Non-GAAP EBITDA
(in thousands)
(Unaudited)

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>May 1, 2016</u>	<u>May 3, 2015</u>	<u>May 1, 2016</u>	<u>May 3, 2015</u>
GAAP Net Income (a)	\$ 14,153	\$ 12,156	\$ 37,653	\$ 19,298
Add: interest expense	964	1,233	2,138	2,603
Add (less): income tax expense (benefit)	(2,326)	1,252	1,374	4,386
Add: depreciation and amortization	20,073	19,293	40,530	39,900
Add: special items (b)	976	912	1,873	2,738
Non-GAAP EBITDA	<u>\$ 33,840</u>	<u>\$ 34,846</u>	<u>\$ 83,568</u>	<u>\$ 68,925</u>

- (a) Includes net income attributable to noncontrolling interests, and in the six months ended May 1, 2016 includes gain on sale of investment in a foreign entity
- (b) Special items consist of stock compensation expense, and in the six months ended May 3, 2015 includes financing expenses in connection with the exchange of \$57.5 million of 3.25% convertible senior notes