

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 12, 2018**

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 December 12, 2018, the Corporation issued a press release reporting fourth quarter fiscal 2018 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 12, 2018, 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 October 31, 2018 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 7.01 Regulation FD Disclosure

The US District Court in Northern California filed an indictment against Fujian Jinhua Integrated Circuit Company, United Microelectronics Corporation, and three former United Microelectronics Corporation executives alleging theft of trade secrets from Micron Technology, Inc. At this time, the Company has not seen a material impact as a result of this litigation. The Company will continue to monitor this situation and report any updates as necessary.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

- [99.1](#) Press Release dated December 12, 2018.
 - [99.2](#) Condensed Consolidated Statements of Income.
 - [99.3](#) Condensed Consolidated Balance Sheets.
 - [99.4](#) Condensed Consolidated Statements of Cash Flows.
 - [99.5](#) Photronics, Inc. Q4 2018 Financial Results Conference Call December 12, 2018 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: Vice President, General Counsel and Secretary

Date: December 12, 2018



Press Release

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

Photronics Reports Fourth Quarter Fiscal 2018 Results

- Fourth quarter 2018 revenue was a record \$144.7 million, up 20% year-over-year and 6% sequentially
- Record FPD revenue of \$33.8 million on strong high-end AMOLED demand
- Full-year 2018 revenue was a record \$535.3 million, up 19% over the previous year
- Net income attributable to Photronics, Inc. shareholders was \$12.5 million, or \$0.18 per diluted share
- Cash balance was \$329 million, with strong operating cash flow of \$43.6 million and capex of \$28.2 million
- Returned \$16.3 million to shareholders through share repurchase program
- First quarter 2019 guidance: revenue between \$120 and \$130 million with diluted EPS between \$0.01 and \$0.07

BROOKFIELD, Conn. December 12, 2018 (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 2018 fourth quarter ended October 31, 2018.

Fourth quarter revenue was a record \$144.7 million, improving 20% compared with the same quarter last year and 6% compared with the previous quarter. Integrated circuit (IC) revenue was \$110.9 million, up 15% compared with last year and 3% sequentially. Flat panel display (FPD) revenue was a record \$33.8 million, up 36% compared with last year and 16% sequentially.

Net income attributable to Photronics, Inc. shareholders was \$12.5 million (\$0.18 per diluted share), compared with \$5.4 million (\$0.08 per diluted share) for the fourth quarter of 2017 and \$13.0 million (\$0.18 per diluted share) for the third quarter of 2018. Results for the third quarter of 2018 included a \$2 million one-time tax benefit (\$0.01 per diluted share).

"We achieved record revenue during the fourth quarter, with growth in both IC and FPD, as mask demand remained strong and we continued to benefit from our successful repositioning of the business," said Peter Kirlin, chief executive officer. "Record revenue in FPD was accomplished through growth in high-end AMOLED, strong demand in Korea and solid demand in China. Within IC, high-end memory increased sequentially while high-end logic decreased as our customers experienced softening demand in their end markets. While revenue increased, margins were slightly down due to tool relocation expenses, startup costs in China, and shifts in product mix. We believe all of these are temporary and margins should improve as high-end IC strengthens and our China startup is complete. Despite lower margins, we generated strong cash from operations and were able to defer some capex payments into the first quarter, maintaining a high cash balance. We are well positioned heading into 2019 to ramp our China factories and continue with the next phase of profitable growth."

First Quarter 2019 Guidance

For the first quarter of 2019, Photronics expects revenue to be between \$120 million and \$130 million, and net income attributable to Photronics, Inc. shareholders to be between \$0.01 and \$0.07 per diluted share.

Conference Call

A conference call to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, December 12, 2018. 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.

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. AND SUBSIDIARIES
Condensed Consolidated Statements of Income

(in thousands, except per share amounts)
(Unaudited)

	Three Months Ended			Year Ended	
	October 31, 2018	July 29, 2018	October 29, 2017	October 31, 2018	October 29, 2017
Revenue	\$ 144,660	\$ 136,391	\$ 120,971	\$ 535,276	\$ 450,678
Cost of goods sold	(109,236)	(100,794)	(94,529)	(403,773)	(359,363)
Gross profit	35,424	35,597	26,442	131,503	91,315
Operating Expenses:					
Selling, general and administrative	(13,504)	(12,504)	(10,182)	(51,395)	(43,585)
Research and development	(3,906)	(2,653)	(3,838)	(14,481)	(15,862)
Total Operating Expenses	(17,410)	(15,157)	(14,020)	(65,876)	(59,447)
Operating income	18,014	20,440	12,422	65,627	31,868
Other income (expense), net	2,307	1,411	536	2,944	(5,303)
Income before income taxes	20,321	21,851	12,958	68,571	26,565
Income tax provision	(3,552)	(2,054)	(2,462)	(7,335)	(5,276)
Net income	16,769	19,797	10,496	61,236	21,289
Net income attributable to noncontrolling interests	(4,282)	(6,792)	(5,110)	(19,181)	(8,159)
Net income attributable to Photronics, Inc. shareholders	\$ 12,487	\$ 13,005	\$ 5,386	\$ 42,055	\$ 13,130
Earnings per share:					
Basic	\$ 0.18	\$ 0.19	\$ 0.08	\$ 0.61	\$ 0.19
Diluted	\$ 0.18	\$ 0.18	\$ 0.08	\$ 0.59	\$ 0.19
Weighted-average number of common shares outstanding:					
Basic	67,894	69,374	68,615	68,829	68,436
Diluted	73,921	75,258	69,218	74,821	69,288

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

(in thousands)

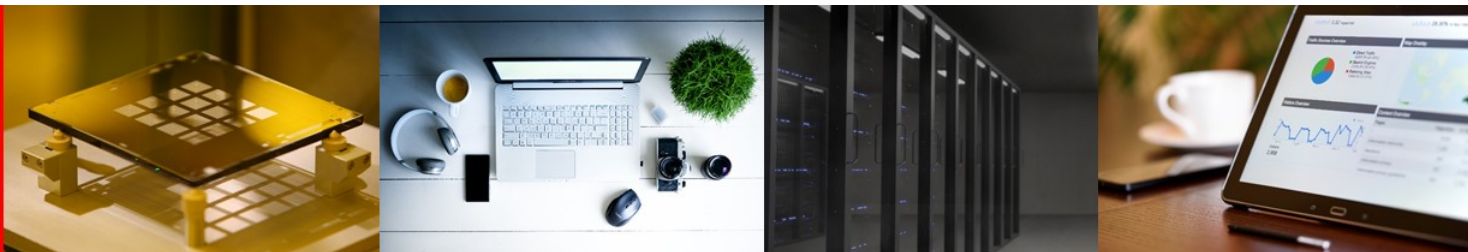
(Unaudited)

	October 31, 2018	October 29, 2017
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 329,277	\$ 308,021
Accounts receivable	120,515	105,320
Inventories	29,180	23,703
Other current assets	23,759	12,080
Total current assets	502,731	449,124
Property, plant and equipment, net	571,781	535,197
Intangible assets, net	12,368	17,122
Other assets	23,129	19,351
Total assets	\$ 1,110,009	\$ 1,020,794
<u>Liabilities and Equity</u>		
Current liabilities:		
Current portion of long-term debt	\$ 57,453	\$ 4,639
Accounts payable and accrued liabilities	133,623	77,137
Total current liabilities	191,076	81,776
Long-term debt	-	57,337
Other liabilities	14,364	16,386
Photronics, Inc. shareholders' equity	759,671	744,564
Noncontrolling interests	144,898	120,731
Total equity	904,569	865,295
Total liabilities and equity	\$ 1,110,009	\$ 1,020,794

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

(in thousands)
(Unaudited)

	Year Ended	
	October 31, 2018	October 29, 2017
Cash flows from operating activities:		
Net income	\$ 61,236	\$ 21,289
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	84,333	86,573
Changes in operating assets, liabilities and other	(15,002)	(11,029)
Net cash provided by operating activities	<u>130,567</u>	<u>96,833</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(92,585)	(91,965)
Acquisition of business	-	(5,400)
Proceeds from sale of investments	-	167
Other	1,856	(868)
Net cash used in investing activities	<u>(90,729)</u>	<u>(98,066)</u>
Cash flows from financing activities:		
Repayments of long-term debt	(4,639)	(5,428)
Dividends paid to noncontrolling interests	(8,166)	(8,298)
Purchase of treasury stock	(23,111)	-
Contribution from noncontrolling interest	17,996	-
Proceeds from share-based arrangements	4,634	2,830
Other	(519)	(32)
Net cash used in financing activities	<u>(13,805)</u>	<u>(10,928)</u>
Effect of exchange rate changes on cash	<u>(4,777)</u>	<u>6,108</u>
Net increase (decrease) in cash and cash equivalents	21,256	(6,053)
Cash and cash equivalents, beginning of period	<u>308,021</u>	<u>314,074</u>
Cash and cash equivalents, end of period	<u>\$ 329,277</u>	<u>\$ 308,021</u>



Photronics, Inc.

**Q4 2018 Financial Results Conference Call
December 12, 2018**



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, specifically our most recent Form 10K and Form 10Q.

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.

Q4 2018 Summary

- ▶ **Record quarterly revenue; +20% Y/Y, +6% Q/Q**
 - FPD achieves record revenue on strong high-end demand, driven by AMOLED
 - IC improved on high-end memory and uptick in Asia mainstream; high-end logic softer Q/Q
 - China revenue up 146% Y/Y & 6% Q/Q
 - Note: Q418 had 3 extra days than comparable quarters
- ▶ **Margin compression due to IC GM dip, China startup, greater qualification activity**
- ▶ **Net income attributable to Photronics, Inc. shareholders of \$12.5M (\$0.18/share)**
- ▶ **Cash balance of \$329M on strong OCF and defer of capex payments into Q119**
- ▶ **Repurchased 1.8M shares for \$16.3M in Q418 (2.6M shares / \$23.1M YTD)**
- ▶ **China investments on track**
 - Construction of critical systems complete
 - Tool move-in well underway; expect to be 90% complete (per plan) by end of Q119
 - On schedule to begin production first half of 2019

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



Income Statement Summary

\$M (except EPS)	Q418	Q318	Q/Q	Q417	Y/Y
Revenue	\$ 144.7	\$ 136.4	6%	\$ 121.0	20%
Gross Profit	\$ 35.4	\$ 35.6	(1%)	\$ 26.4	34%
<i>Gross Margin</i>	24.5%	26.1%	(160 bps)	21.9%	260 bps
Operating Income	\$ 18.0	\$ 20.4	(12%)	\$ 12.4	45%
<i>Operating Margin</i>	12.5%	15.0%	(250 bps)	10.3%	220 bps
Net Income*	\$ 12.5	\$ 13.0	(4%)	\$ 5.4	132%
Diluted EPS*	\$ 0.18	\$ 0.18	(\$ 0.00)	\$ 0.08	\$ 0.10

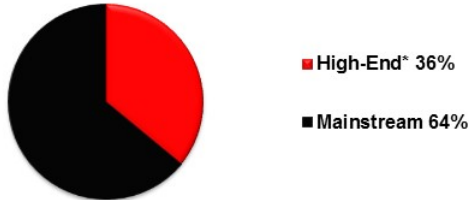
- ▶ Record revenue with growth in both IC & FPD
- ▶ Gross margin down Q/Q due to IC
 - Mix shift
 - Production of mainstream products on high-end tools
 - Relocation expenses to align manufacturing assets
- ▶ Operating margin down on China startup costs and increased qualification activity
- ▶ Other income increased on FX gain and sale of an asset
- ▶ Q318 includes one-time tax benefit of \$2M (\$0.01/share)

IC Photomask Revenue

\$M	Q418	Q318	Q/Q	Q417	Y/Y
High-End*	\$ 39.4	\$ 46.1	(14%)	\$ 30.5	29%
Mainstream	\$ 71.4	\$ 61.2	17%	\$ 65.6	9%
Total	\$ 110.9	\$ 107.2	3%	\$ 96.1	15%

Total may differ due to rounding

Q418 Revenue by Technology



*28nm and smaller

► Strong Y/Y high-end growth

- High-end memory up on Asia demand
- High-end logic up Y/Y, but down Q/Q as Asia demand shifts to mainstream

► China IC revenue up 3x Y/Y; represents 17% of Q418 IC revenue

► Expect mixed demand in Q1

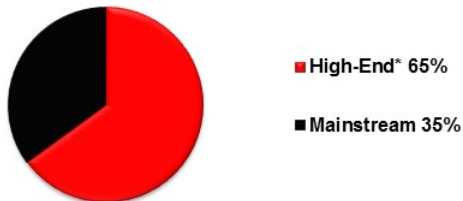
- High-end memory should remain positive
- High-end logic recovery expected, but timing uncertain
- Mainstream flat to down

FPD Photomask Revenue

\$M	Q418	Q318	Q/Q	Q417	Y/Y
High-End*	\$ 22.0	\$ 17.1	29%	\$ 17.1	28%
Mainstream	\$ 11.8	\$ 12.1	(3%)	\$ 7.8	51%
Total	\$ 33.8	\$ 29.1	16%	\$ 24.9	36%

Total may differ due to rounding

Q318 Revenue by Technology



*≥G8 and AMOLED

- ▶ Record FPD revenue on strong high-end demand
- ▶ Repositioning the business for mobile display and China G10.5+
 - High-end AMOLED up 50% sequentially
 - Y/Y mainstream driven by LTPS mobile
 - G10.5+ production to begin H119
- ▶ China revenue nearly doubled Y/Y; represents 36% of Q418 FPD revenue
- ▶ Demonstrating technology leadership with strong AMOLED growth; should keep operations at capacity

Select Financial Data

\$M	Q418	Q318	Q417
Cash	\$ 329	\$ 333	\$ 308
Debt	\$ 57	\$ 58	\$ 62
Net Cash*	\$ 272	\$ 275	\$ 246
Operating Cash Flow	\$ 44	\$ 49	\$ 23
Capital Expenditures	\$ 28	\$ 20	\$ 53
Share repurchase	\$ 16	\$ 7	-
LTM EBITDA	\$ 158	\$ 153	\$ 119

- ▶ **Cash balance essentially flat on strong operating cash flow offset capex and share repurchase**
- ▶ **2018 capex \$93M**
 - Lower than previous guidance as some cash flows moved into Q119
 - Capex for Q119 ~ \$170M
 - FY 2019 capex ~ \$210M
- ▶ **Repurchased \$16.3M in shares during Q418 (\$23.1M FY 2018)**
- ▶ **Balance sheet able to fund planned investments and strategic M&A opportunities**

Q119 Guidance

Revenue (\$M)	\$120 - \$130
Taxes (\$M)	\$1 - \$2
EPS	\$0.01 - \$0.07
Diluted Shares (M)	~70

▶ **Expecting Q1 to be down in Q/Q**

- Seasonally soft period & 6 fewer days
- Uncertain timing of high-end logic recovery
- High-end IC memory stable
- FPD expected to remain at capacity

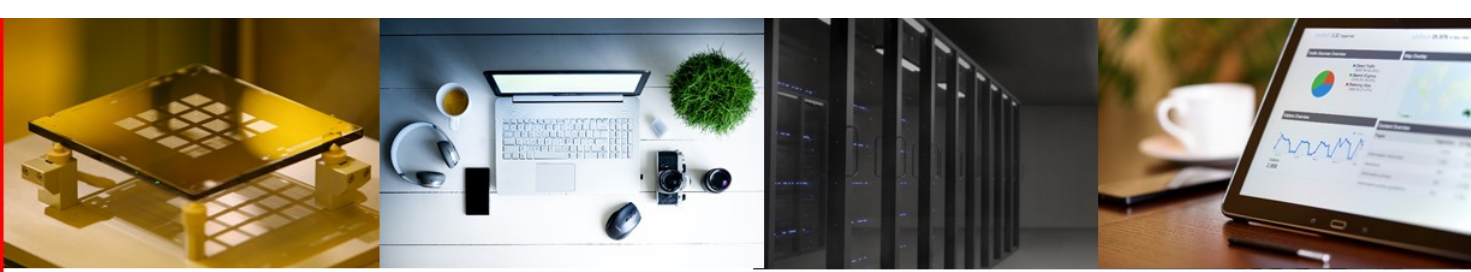
▶ **Expect margin headwinds from China startup**

- Anticipate EPS impact of \$0.03 - \$0.06 per quarter
- Plan to be profitable in China by end of 2019

Change in fiscal year end

- ▶ Beginning in fiscal year 2018, all fiscal years end 10/31 (previously closed on Sunday closest to 10/31)
- ▶ Other quarters (Q1, Q2, Q3) will continue to end on Sunday closest to calendar end
- ▶ Length of Q2 & Q3 will continue to be 13 weeks (91 days)
- ▶ Length of Q1 & Q4 will vary depending on year
- ▶ Below table provides details for 2018 & 2019

Period	End date	# days	Period	End date	# days
Q118	Sunday, January 28, 2018	91	Q119	Sunday, January 27, 2019	88
Q218	Sunday, April 29, 2018	91	Q219	Sunday, April 28, 2019	91
Q318	Sunday, July 29, 2018	91	Q319	Sunday, July 28, 2019	91
Q418	Wednesday, October 31, 2018	94	Q419	Thursday, October 31, 2019	95

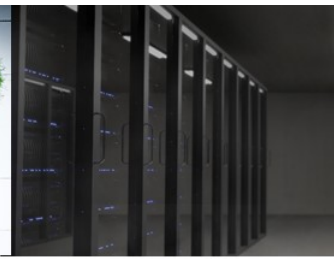
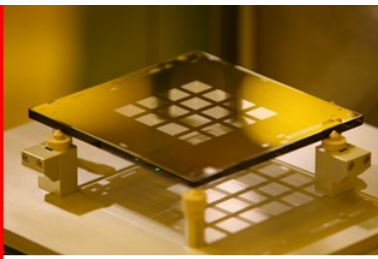


Thank you for your interest!

For Additional Information:

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

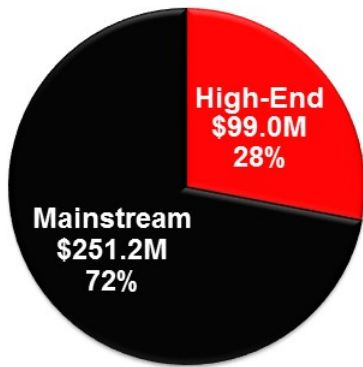




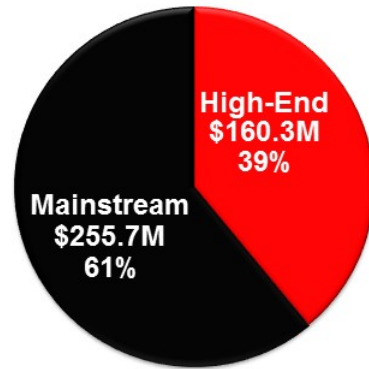
Appendix

IC Photomask Revenue

2017: \$350.3M



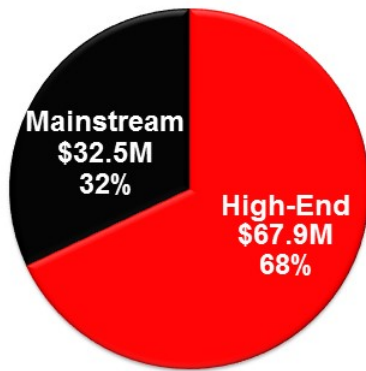
2018: \$416.1M



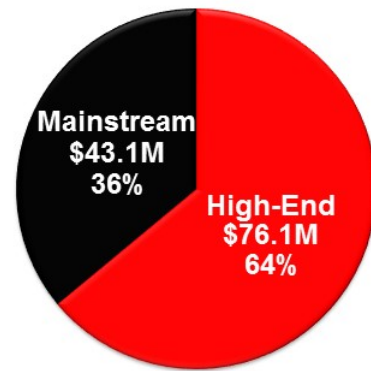
High-End: 28nm and smaller; total may differ due to rounding

FPD Photomask Revenue

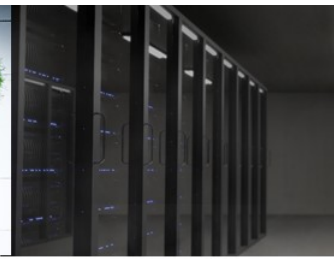
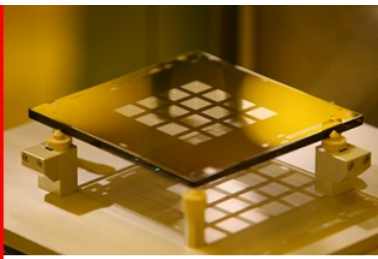
2017: \$100.4M



2018: \$119.2M



High-End: ≥G8 and AMOLED; total may differ due to rounding



Non-GAAP Reconciliation

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

	Three Months Ended							
	October 31, 2018	July 29, 2018	April 29, 2018	January 28, 2018	October 29, 2017	July 30, 2017	April 30, 2017	January 29, 2017
Reconciliation of GAAP Net Income to Non-GAAP Adjusted EBITDA								
GAAP Net Income	\$ 16,769	\$ 19,797	\$ 15,189	\$ 9,481	\$ 10,496	\$ 4,799	\$ 1,484	\$ 4,510
Interest expense	580	557	551	574	578	550	550	559
Income tax expense	3,552	2,054	3,508	(1,778)	2,462	333	431	2,050
Depreciation and amortization	19,848	20,056	22,066	22,363	22,492	21,840	21,345	20,896
Other items (a)	755	784	163	884	785	984	921	937
Non-GAAP Adjusted EBITDA	<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>	<u>\$ 28,952</u>
Non-GAAP Adjusted L-T-M EBITDA (b)	\$ 157,753	\$ 153,062	\$ 138,320	\$ 121,574	\$ 119,002			

Notes:

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

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