

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 14, 2020

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
PREFERRED STOCK PURCHASE RIGHTS	N/A	N/A

Item 7.01. Regulation FD Disclosure.

The virtual analyst and investor day presentation included as Exhibit 99.1 to this report may be presented at meetings with investors, analysts, and others on December 14, 2020. A copy of the presentation will be posted on the Photronics, Inc. website.

The information in this Current Report on Form 8-K, including Exhibit 99.1 attached hereto, is being furnished and shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that Section, nor shall it be deemed subject to the requirements of amended Item 10 of Regulation S-K, nor shall it be deemed incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof, regardless of any general incorporation language in such filing. The furnishing of this information hereby shall not be deemed an admission as to the materiality of any such information.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

[99.1](#) Photronics’ Virtual Analyst and Investor Day Presentation dated December 14, 2020.

PHOTRONICS, INC.
(Registrant)

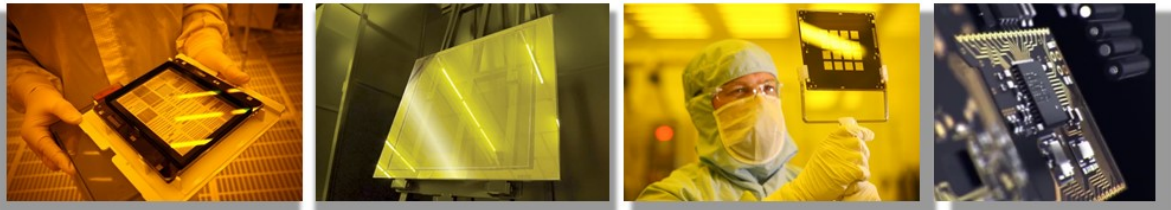
By: /s/ Richelle E. Burr
Name: Richelle E. Burr
Title: Executive Vice President,
Chief Administrative Officer,
General Counsel and Secretary

Date: December 14, 2020



Global Merchant Photomask Leader

Virtual Analyst and Investor Day
December 14, 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.

Overview & Strategy

Peter Kirlin, CEO

Today's objectives

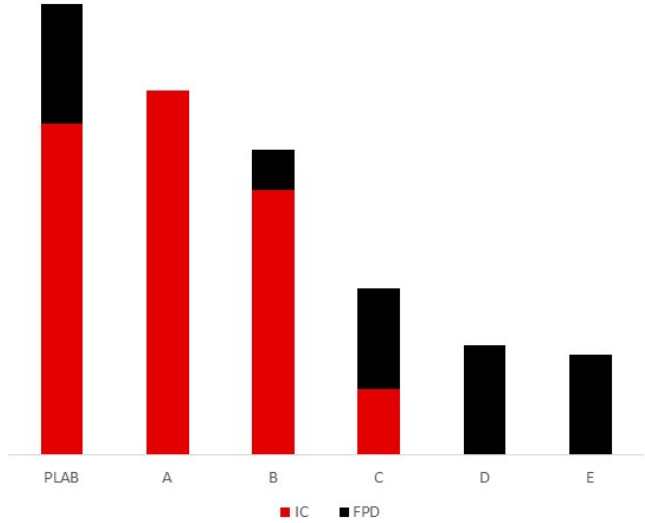
- Present PLAB investment thesis
- Review progress since 2018 investor day
- Describe next growth phase
- Demonstrate alignment with market trends
- Provide long-term financial targets
- Answer your questions

A Compelling Investment Thesis

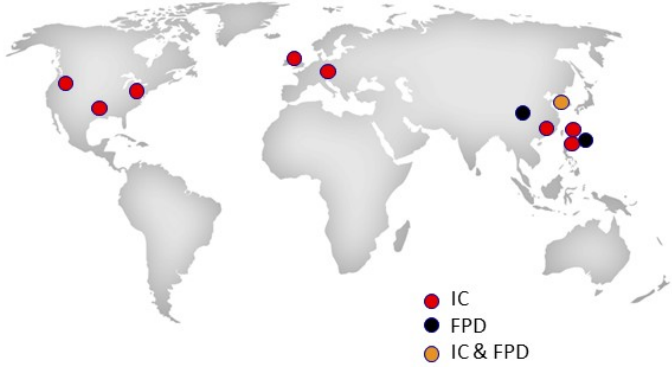
- Global leader in merchant photomask industry
 - Delivering growth by leveraging core competencies
 - Growing more quickly than the market
- Technology aligned with secular growth trends
 - China industry expansion (IC & FPD) – Made in China 2025
 - Display technology inflections
- Investment growth strategy to double EPS
 - Top-line growing at twice industry growth rate
 - Operating leverage expands margins
 - Increasing cash flow to fund growth and share repurchase

Leading merchant with unmatched global presence

Largest Merchant Photomask Manufacturer (\$M)

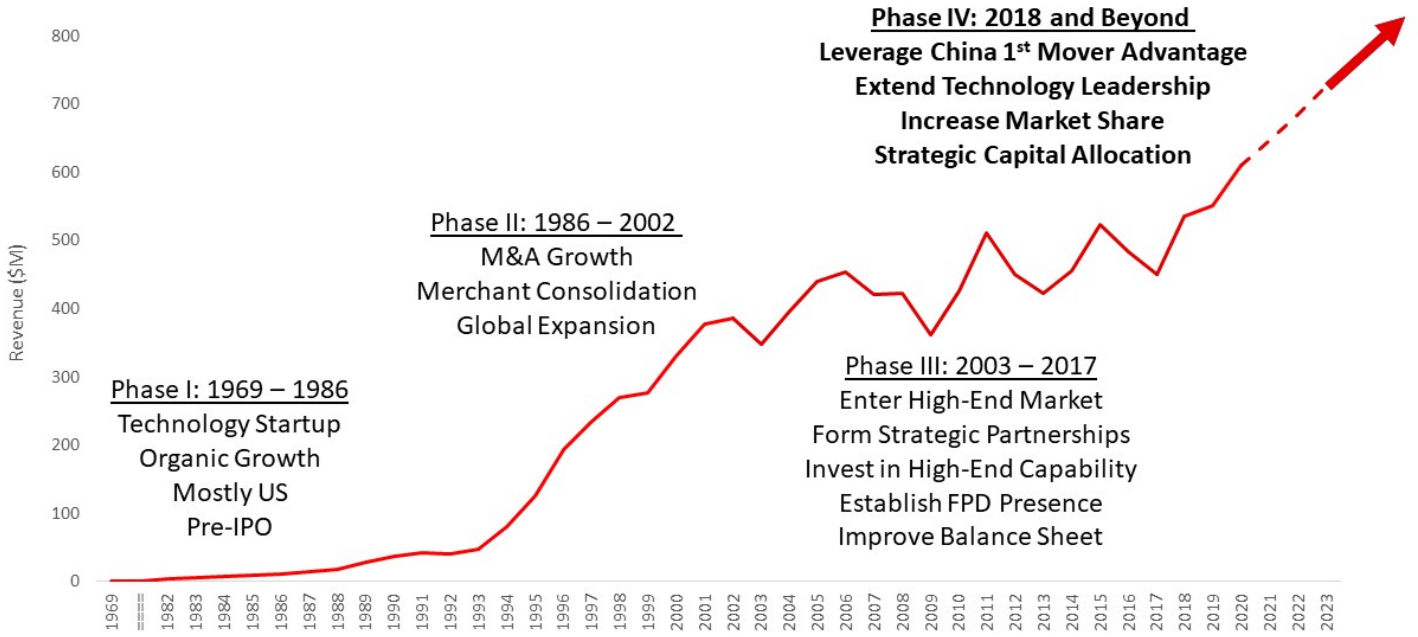


Unmatched Global Footprint
11 Strategically Located Manufacturing Facilities



Sources: SEMI 2019 Photomask Characterization Study; internal estimates

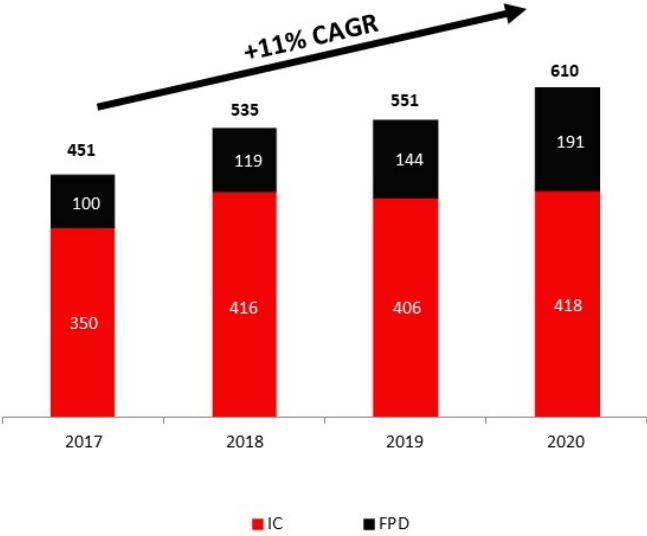
Phases of Photonics revenue growth



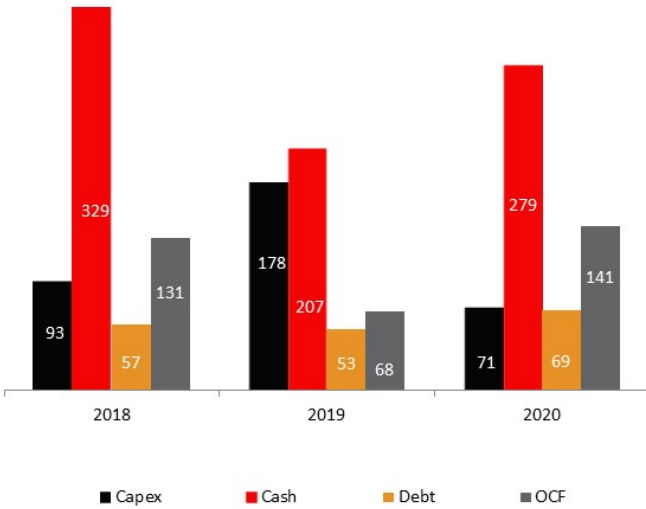
12/14/2020

Investment focus driving financial results

Converting Investments Into Revenue (\$M)



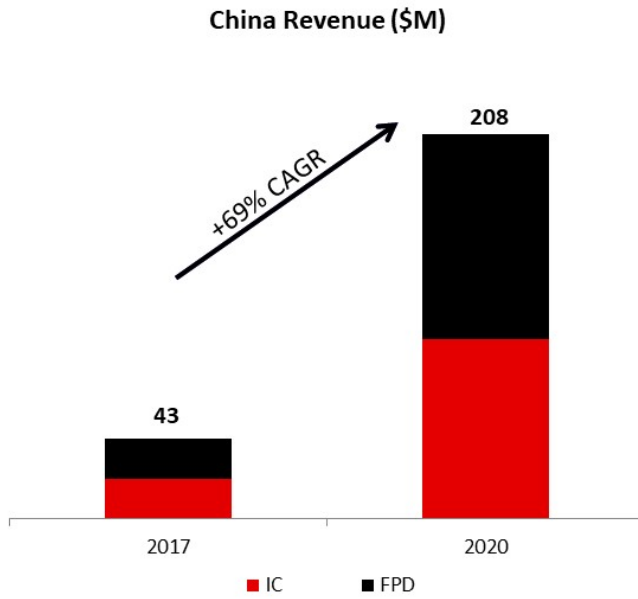
Funding Capital Allocation (\$M)



Delivering on commitments

	2018 Investor Day Commitment	Results
Growth	\$630M revenues and \$0.80 EPS	\$610M and \$0.52, impacted by COVID lockdowns & trade war
Market Position	China production to start H119	Hefei delivered; Xiamen plan modified
	Enter G10.5+ market	Market leader
	Grow market share	Delivered
Financial Strength	Cash / net cash equal to pre-investment	2017: cash = \$308M; net cash = \$246M 2020: cash = \$279M; net cash = \$210M plus \$79M in share repurchases since 2018
	Improve ROIC	2017 = 1.4% 2020 = 3.9%

Growing China business

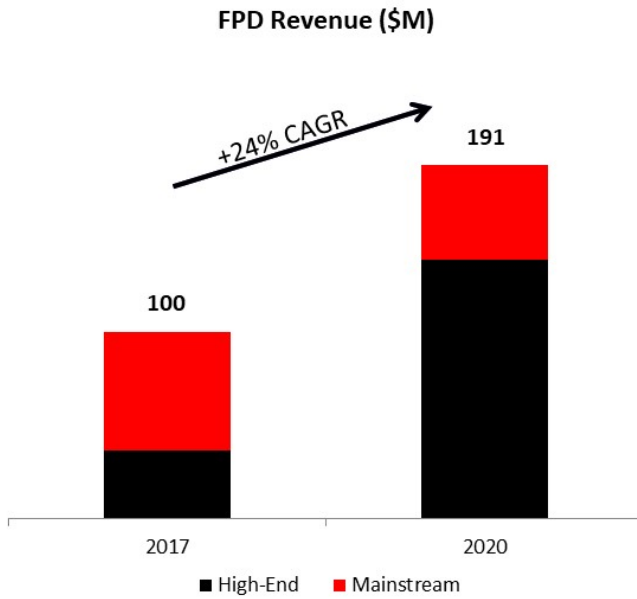


12/14/2020

- We have growing business in China
 - 34% of total revenue in 2020
 - 23% of IC revenue
 - 58% of FPD revenue
 - Growing strong since 2017
 - IC +67% CAGR
 - FPD +71% CAGR
- Local manufacturing accelerates growth
- Customer contracts fosters sustainable results
- IC JV enables us to compete more effectively

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FPD nearly doubled over 3 years



12/14/2020

- Targeted high-end investments
 - G10.5+
 - AMOLED & LTPS for mobile
- Partner with largest panel makers
- Runway left for advance display growth
 - Mobile platforms
 - Advanced TV
 - Mini & Micro LED
- 2021 investments aligned with market trends

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Evolving investment focus

2018 Strategic Targets	2020 Strategic Targets
G10.5+ AMOLED inflection point China geographic expansion	Complete Advanced display technologies: AMOLED for mobile; OLED for TV/IT; emerging Micro and Mini LED Continues, driven by Made In China 2025 industrial policy and growing nationalism

2021-2023 Targets

- Double industry growth rates: 5-7%
- Expanding gross and operating margins, reaching high twenties and high teens, respectively
- More than doubling EPS to well in excess of \$1 / share

Summary

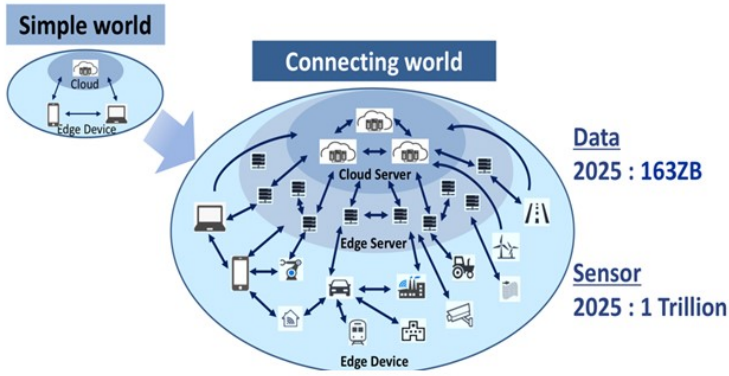
- We have sustained double digit growth in a very challenging environment over the past 3 years
- Our leadership position is expanding
- Moving forward our investment focus is narrowing to drive accretive growth
- With a business model demonstrated to deliver increasing shareholder value

Delivering Technology to the Market

Chris Progler, CTO



Photomasks help enable the connected world



- Golden age of design and integration as differentiators
- Global dynamics enhance mask value: technology, yield, cost, speed, security, trust
- Increasing barriers to entry
- Leadership through partnership: Process of Record, Long-Term Purchase Agreement, Joint Development Projects
- Market pushing more technology into masks: customization, design activity
- Multi-node supply and demand trends favorable
- Focused and opportunity driven investments: region, customer, technology

Mask Enables Robust Design → Market Win for Customer

Photomask opportunity transcends lithography design nodes

Forecast Monthly Installed Capacity Shares – by Min. Geom.



Source: IC Insights

12/14/2020

- High-End
- Chip enablement
- Design integration
- New fab ramp

- Mid-Range
- Time to market
- Design flexibility
- Yield

- Legacy
- Cost
- Capacity
- Continuity

High-tech photomask demand drivers

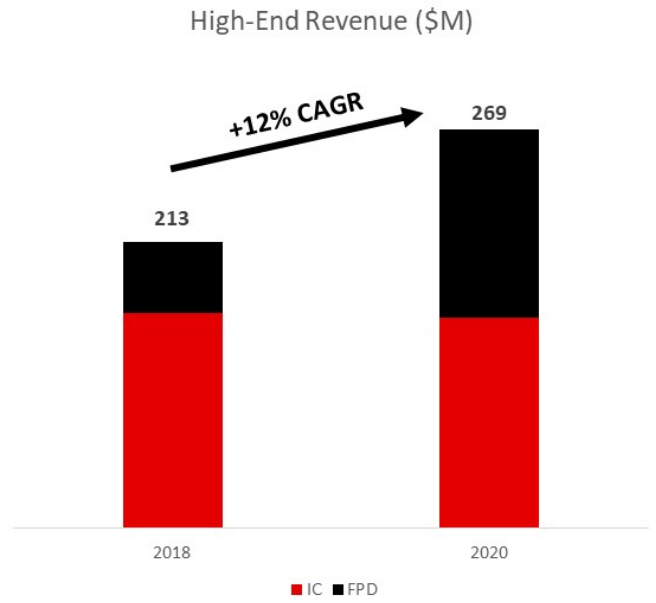
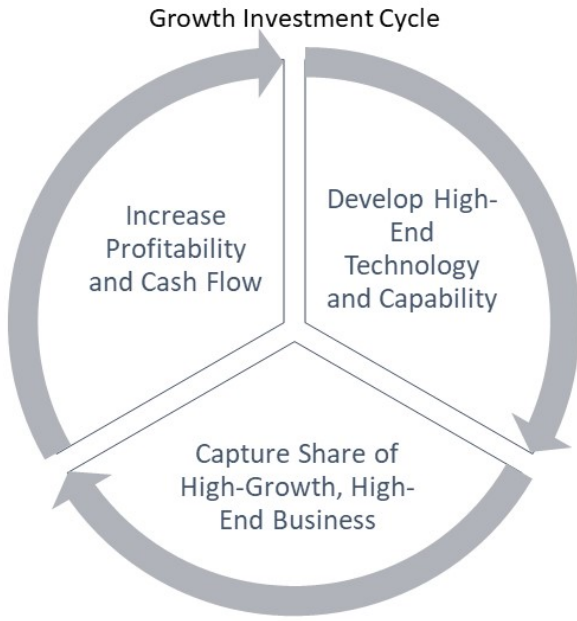
- IC
 - EUV – mask and litho tech still maturing, consumes heavy writing resource
 - Mask complexity and count needed for advanced designs
 - SoC trends – multi-function customization alongside SoC disaggregation
 - Cloud to edge computing migration and design activity
- FPD
 - Mask carrying more of lithography load
 - AMOLED migrating down from premium smartphones
 - TV display innovation: lighting, size, resolution, compensations
 - Gaming, remote work and learning driving demand

Photomask velocity: A key differentiator



- Speed of design turns takes center stage across the landscape
 - Advanced mask complexity, level count and yield
 - Capacity constraints at mid and legacy nodes
- Technologies that enable our photomask velocity
 - Customer collaboration tools to streamline process development
 - High yielding, self-correcting and efficient mask processes
 - Rapid mask tuning connected to device and panel performance
 - Process fan out and nanometer scale harmonization for tech localization
- Technology investments for IC are targeted at delivering world class mask velocity
 - We are developing technology to transform the speed at which first time right photomasks can be delivered to customers

Technology as a tool to support our business growth



12/14/2020

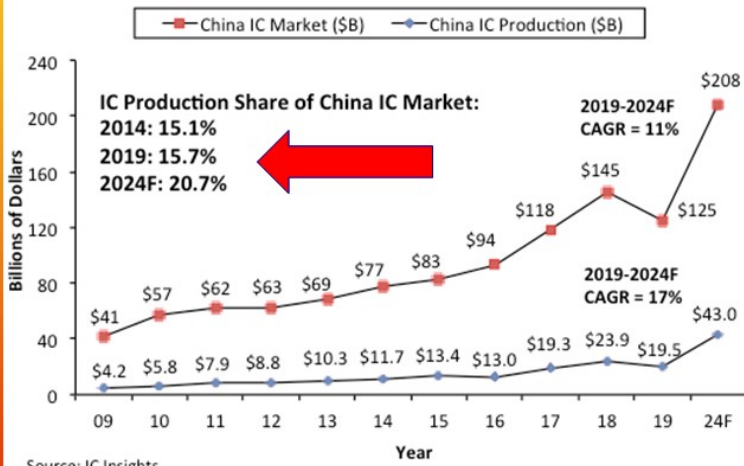
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How has China's strategy energized served markets for growth?

- Domestic investments add local capacity to win share and support national agenda
- Foreign competition must improve product innovation to sustain advantage and share
- Integrated circuits and displays elevated to center stage in economic and security landscape
- **Photomasks** stand at crossroad of design and manufacturing enablement
- Examples:
 - 70% of LCD and 50% of AMOLED capacity to China by 2021
 - Advanced TV shipments to double by 2024. Mask count per advanced TV on path to doubling.
 - Foundry capital spending increased >35% in 2020

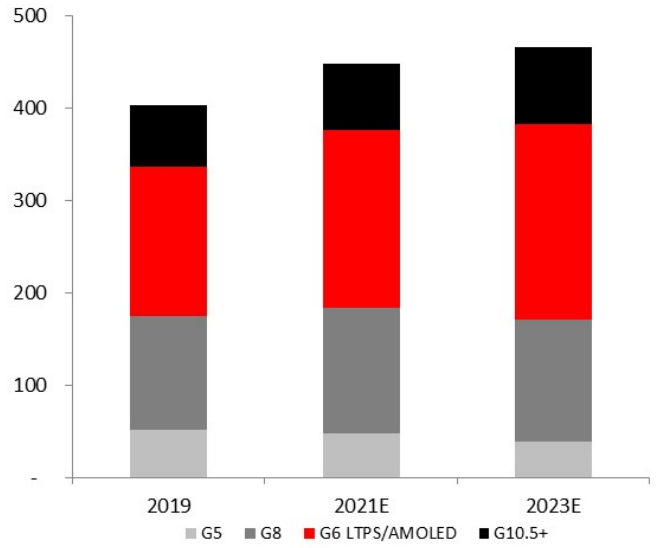
“Made in China 2025” driving growth

China IC Market vs. China IC Production Trends

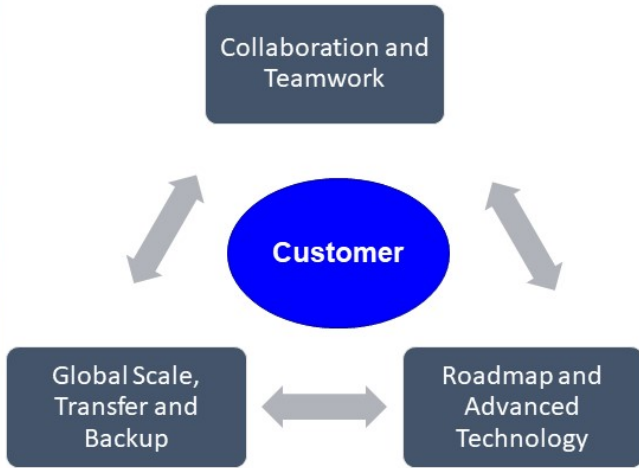


Source: IC Insights

China FPD Mask TAM (\$M)



Summary



- Photomasks are enabling technology for IC and display in the connected world
- Key tech inflections driving growth
 - China investment and global share goals in IC and FPD: LCD to mobile pivot, multi-node IC design activity
 - Sweet spot mid-range IC nodes to support pervasive chip implementation. Capacity constraints.
 - Leaders continue innovation driving advanced mask complexity and outsourcing
 - IC and display take center stage for global economic and security independence
- Our investment strategy is aligned with these market trends
- We develop focused processes and products to enhance customer yield and time to market
- We are the leading trusted partner in the marketplace

Financial Model & Outlook

John Jordan, CFO

2020 Summary

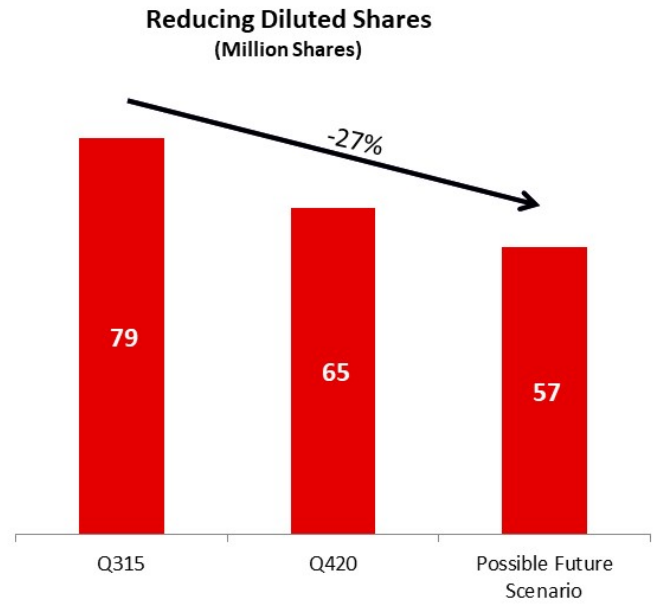
- Several revenue records established
 - Revenue of \$609.7M
 - FPD revenue of \$191.3M
 - China revenue of \$207.5M (IC = \$97.1M; FPD = \$110.5M)
- Operating income improved 23% Y/Y
- Generated \$143M in cash from operating activities, invested \$71M in capex, and returned \$34M in cash to shareholders
- China facilities contributed \$79M in revenue with operating loss of \$2M; Hefei was profitable for the year

Illustrative Target Model

	2018	2019	2020	Illustrative Target Model 3-Year Horizon		
Revenue	\$535	\$551	\$610	\$700 <i>5% CAGR</i>	\$725 <i>6% CAGR</i>	\$750 <i>7% CAGR</i>
Gross Margin	25%	22%	22%	24-26%	26-28%	27-29%
Operating Margin	12%	9%	10%	13-15%	15-17%	17-19%
Operating Cash Flow	\$131	\$68	\$143	\$150-160	\$160-170	\$175-185
Free Cash Flow	\$39	(\$83)	\$77	\$80-90	\$90-100	\$100-110
EPS	\$0.59	\$0.44	\$0.52	\$1.00-1.05	\$1.15-1.25	\$1.25-1.35

Clear capital deployment priorities

- Fund organic growth
 - Geographic expansion into China
 - Investments to maintain technical leadership
 - Capacity expansion when reciprocated by customer commitment
 - Financial discipline to improve ROIC
- Explore strategic M&A
 - Photomask industry – IC & FPD
 - Adjacencies to increase revenue diversification
- Share repurchase
 - Repurchased 7.9M shares (\$79M) since 2018
 - Redeemed \$115M in convertible debt since 2016, eliminating 10.3M potentially dilutive shares



Financial discipline improves shareholder value

- Targeted investments drive top-line growth in excess of market
- Operating leverage and cost reductions expand margins
 - Target operating margins mid- to high-teens
 - Target incremental margins 50%
- Strong cash flow generation fortifies balance sheet
- Capital deployment priorities to improve ROIC

Summary

- Recent performance on upward trend
- Growing more quickly than markets
- Margin expansion creates earnings power
- Strong cash flow generation
- Strategic use of cash to fund growth and enhance shareholder returns

A Compelling Investment Thesis

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 - Increasing cash flow to fund growth and share repurchase

Questions?



Thank you for your interest!

For Additional Information:
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tdewar@photonics.com

