

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)

August 22, 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) 755-9000

(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 August 22, 2018, the Corporation issued a press release reporting third 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 August 22, 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 July 29, 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 9.01. Financial Statements and Exhibits

(d) Exhibits

- [99.1](#) Press Release dated August 22, 2018.
 - [99.2](#) Condensed Consolidated Statements of Income.
 - [99.3](#) Condensed Consolidated Balance Sheets.
 - [99.4](#) Condensed Consolidated Statements of Cash Flows.
 - [99.5](#) Photonics Q3 2018 Financial Results Conference Call August 22, 2018 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: August 22, 2018



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

Press Release

Photronics Reports Third Quarter Fiscal 2018 Results

- Third quarter 2018 revenue was \$136.4 million, up 22% year-over-year and 4% sequentially
- High-end IC revenue nearly doubled, improving 94% year-over-year on strong demand from Asia foundries
- Net income attributable to Photronics, Inc. shareholders was \$13.0 million, or \$0.18 per diluted share
- Cash balance increased to \$333 million, with strong operating cash flow of \$49.0 million
- Returned \$6.8 million to shareholders through share repurchase program
- Fourth quarter 2018 guidance: revenue between \$133 and \$141 million with diluted EPS between \$0.14 and \$0.19

BROOKFIELD, Conn. August 22, 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 third quarter ended July 29, 2018.

Third quarter revenue was \$136.4 million, improving 22% compared with the same quarter last year and 4% compared with the previous quarter. Integrated circuit (IC) revenue was \$107.2 million, up 26% compared with last year and 5% sequentially. Flat panel display (FPD) revenue was \$29.1 million, up 10% compared with last year and 2% sequentially.

Net income attributable to Photronics, Inc. shareholders was \$13.0 million (\$0.18 per diluted share), compared with \$4.0 million (\$0.06 per diluted share) for the third quarter of 2017 and \$10.7 million (\$0.15 per diluted share) for the second quarter of 2018. Results for the third quarter of 2018 includes a \$2 million one-time tax benefit (\$0.01 per diluted share).

"During the third quarter, demand remained strong across nearly all our end markets, and we benefitted from successfully repositioning the business to take advantage of growing markets in China and demand from captives," said Peter Kirlin, chief executive officer. "High-end IC once again was the primary contributor to growth, nearly doubling compared with last year, up 94%. For FPD, sales of both AMOLED and LTPS LCD photomasks increased, primarily for mobile applications. With the increase in revenue, we expanded margins through operating leverage and cost control, delivering 15% operating margin. In addition to strong revenue and income growth, our cash balance increased to \$333 million, demonstrating once again our ability to generate strong cash from operations. Our balance sheet is very healthy as we approach the peak of our China investment over the next two quarters, and we have begun to return cash to our shareholders through the initiation of a share repurchase program last quarter. We have increased our momentum heading into the end of fiscal 2018, and are now in an even stronger position to ramp our China facilities in 2019."

Fourth Quarter 2018 Guidance

For the fourth quarter of 2018, Photronics expects revenue to be between \$133 million and \$141 million, and net income attributable to Photronics, Inc. shareholders to be between \$0.14 and \$0.19 per diluted share.

Conference Call

A conference call to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, August 22, 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, 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			Nine Months Ended	
	July 29, 2018	April 29, 2018	July 30, 2017	July 29, 2018	July 30, 2017
Revenue	\$ 136,391	\$ 130,779	\$ 111,579	\$ 390,616	\$ 329,707
Cost of goods sold	(100,794)	(97,960)	(89,862)	(294,538)	(264,835)
Gross profit	35,597	32,819	21,717	96,078	64,872
Operating Expenses:					
Selling, general and administrative	(12,504)	(13,637)	(11,639)	(37,891)	(33,403)
Research and development	(2,653)	(3,817)	(4,812)	(10,574)	(12,023)
Total Operating Expenses	(15,157)	(17,454)	(16,451)	(48,465)	(45,426)
Operating income	20,440	15,365	5,266	47,613	19,446
Other income (expense), net	1,411	3,332	(134)	637	(5,839)
Income before income taxes	21,851	18,697	5,132	48,250	13,607
Income tax provision	(2,054)	(3,508)	(333)	(3,783)	(2,814)
Net income	19,797	15,189	4,799	44,467	10,793
Net income attributable to noncontrolling interests	(6,792)	(4,524)	(798)	(14,899)	(3,048)
Net income attributable to Photronics, Inc. shareholders	<u>\$ 13,005</u>	<u>\$ 10,665</u>	<u>\$ 4,001</u>	<u>\$ 29,568</u>	<u>\$ 7,745</u>
Earnings per share:					
Basic	<u>\$ 0.19</u>	<u>\$ 0.15</u>	<u>\$ 0.06</u>	<u>\$ 0.43</u>	<u>\$ 0.11</u>
Diluted	<u>\$ 0.18</u>	<u>\$ 0.15</u>	<u>\$ 0.06</u>	<u>\$ 0.41</u>	<u>\$ 0.11</u>
Weighted-average number of common shares outstanding:					
Basic	<u>69,374</u>	<u>69,293</u>	<u>68,525</u>	<u>69,141</u>	<u>68,376</u>
Diluted	<u>75,258</u>	<u>75,190</u>	<u>69,380</u>	<u>75,121</u>	<u>69,311</u>

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

	July 29, 2018	October 29, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 332,739	\$ 308,021
Accounts receivable	118,727	105,320
Inventories	31,756	23,703
Other current assets	21,698	12,080
Total current assets	504,920	449,124
Property, plant and equipment, net	546,688	535,197
Intangible assets, net	13,507	17,122
Other assets	22,897	19,351
Total assets	\$ 1,088,012	\$ 1,020,794
Liabilities and Equity		
Current liabilities:		
Current portion of long-term borrowings	\$ 57,893	\$ 4,639
Accounts payable and accrued liabilities	100,949	77,137
Total current liabilities	158,842	81,776
Long-term borrowings	-	57,337
Other liabilities	15,657	16,386
Photonics, Inc. shareholders' equity	770,810	744,564
Noncontrolling interests	142,703	120,731
Total equity	913,513	865,295
Total liabilities and equity	\$ 1,088,012	\$ 1,020,794

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

	Nine Months Ended	
	July 29, 2018	July 30, 2017
Cash flows from operating activities:		
Net income	\$ 44,467	\$ 10,793
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	64,485	64,081
Changes in operating assets, liabilities and other	(21,995)	(1,085)
Net cash provided by operating activities	<u>86,957</u>	<u>73,789</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(64,372)	(38,759)
Acquisition of business	-	(5,400)
Proceeds from sale of investments	-	167
Other	453	(458)
Net cash used in investing activities	<u>(63,919)</u>	<u>(44,450)</u>
Cash flows from financing activities:		
Repayments of long-term borrowings	(4,170)	(4,057)
Dividends paid to noncontrolling interests	(8,166)	(8,298)
Purchase of treasury stock	(6,787)	-
Contribution from noncontrolling interest	17,996	-
Proceeds from share-based arrangements	4,028	2,529
Other	(273)	(33)
Net cash provided by (used in) financing activities	<u>2,628</u>	<u>(9,859)</u>
Effect of exchange rate changes on cash	(948)	7,018
Net increase in cash and cash equivalents	24,718	26,498
Cash and cash equivalents, beginning of period	<u>308,021</u>	<u>314,074</u>
Cash and cash equivalents, end of period	<u>\$ 332,739</u>	<u>\$ 340,572</u>



Photronics, Inc.

**Q3 2018 Financial Results Conference Call
August 22, 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.

Q3 2018 Summary

- ▶ **Revenue grew 22% Y/Y and 4% Q/Q**
 - High-end IC +94% Y/Y
 - China revenue up 132% Y/Y & 44% Q/Q
 - Revenue to IC captives increased 161% Y/Y
- ▶ **Gross and operating margins expanded on high operating leverage and cost containment**
- ▶ **Net income attributable to Photronics, Inc. shareholders of \$13.0M (\$0.18/share)**
- ▶ **Cash balance grew to \$333M on strong OCF**
- ▶ **Launched share buyback program; repurchased 0.8M shares for \$6.8M in Q318**
- ▶ **China investments on track**
 - Construction to be completed during Q418
 - Tool move-in during Q119

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



Income Statement Summary

<u>\$M (except EPS)</u>	<u>Q318</u>	<u>Q218</u>	<u>Q/Q</u>	<u>Q317</u>	<u>YY</u>
Revenue	\$ 136.4	\$ 130.8	4%	\$ 111.6	22%
Gross Profit	\$ 35.6	\$ 32.8	8%	\$ 21.7	64%
<i>Gross Margin</i>	26.1%	25.1%	100 bps	19.5%	660 bps
Operating Income	\$ 20.4	\$ 15.4	33%	\$ 5.3	3.9x
<i>Operating Margin</i>	15.0%	11.7%	330 bps	4.7%	1030 bps
Net Income*	\$ 13.0	\$ 10.7	22%	\$ 4.0	3.3x
Diluted EPS*	\$ 0.18	\$ 0.15	\$ 0.03	\$ 0.06	\$ 0.12

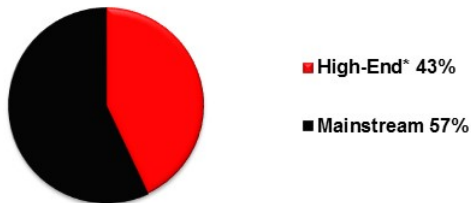
- ▶ Higher revenue as we achieved growth in both IC & FPD
- ▶ Gross margin further improved due to high operating leverage
- ▶ Operating margin increased on lower opex
- ▶ Other income down Q/Q on smaller FX gain
- ▶ Lower income tax Q/Q due to \$2M one-time tax benefit (\$0.01/share)
- ▶ Minority interest increased to \$6.8M due to strong earnings from IC JV

IC Photomask Revenue

\$M	Q318	Q218	Q/Q	Q317	Y/Y
High-End*	\$ 46.1	\$ 41.5	11%	\$ 23.7	94%
Mainstream	\$ 61.2	\$ 60.8	1%	\$ 61.5	0%
Total	\$ 107.2	\$ 102.3	5%	\$ 85.2	26%

Total may differ due to rounding

Q318 Revenue by Technology



*28nm and smaller

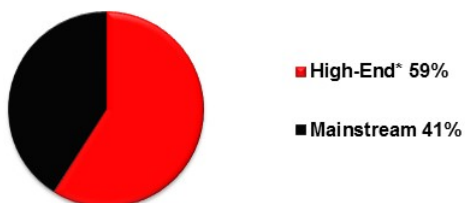
- ▶ **High-end nearly doubled Y/Y**
 - High-end logic growth driven by Asia foundries
 - Memory demand from Asia continues to be strong
- ▶ **China IC revenue up 3x Y/Y; represents 16% of Q318 IC revenue**
- ▶ **Revenue to customers with captive mask operations increased 161% Y/Y**
- ▶ **Expect demand trends to continue in Q4**
 - High-end logic improving
 - High-end memory flat to up
 - Mainstream stable

FPD Photomask Revenue

\$M	Q318	Q218	Q/Q	Q317	Y/Y
High-End*	\$ 17.1	\$ 18.2	(6%)	\$ 16.8	2%
Mainstream	\$ 12.1	\$ 10.3	17%	\$ 9.7	25%
Total	\$ 29.1	\$ 28.5	2%	\$ 26.4	10%

Total may differ due to rounding

Q318 Revenue by Technology



*≥G8 and AMOLED

- ▶ **Repositioning the business for mobile display and China G10.5+**
 - High-end AMOLED up 52% sequentially
 - Mainstream driven by LTPS mobile growth
 - High-end down as we pivot away from G8.5
- ▶ **China represents 43% of Q318 FPD revenue**
- ▶ **Began to generate revenue from new P-800 mask writer; enables us to maintain AMOLED technology leadership**

Select Financial Data

\$M	Q318	Q218	Q317
Cash	\$ 333	\$ 321	\$ 341
Debt	\$ 58	\$ 59	\$ 63
Net Cash*	\$ 275	\$ 262	\$ 277
Operating Cash Flow	\$ 49	\$ 7	\$ 27
Capital Expenditures	\$ 20	\$ 33	\$ 25
LTM EBITDA	\$ 153	\$ 138	\$ 111

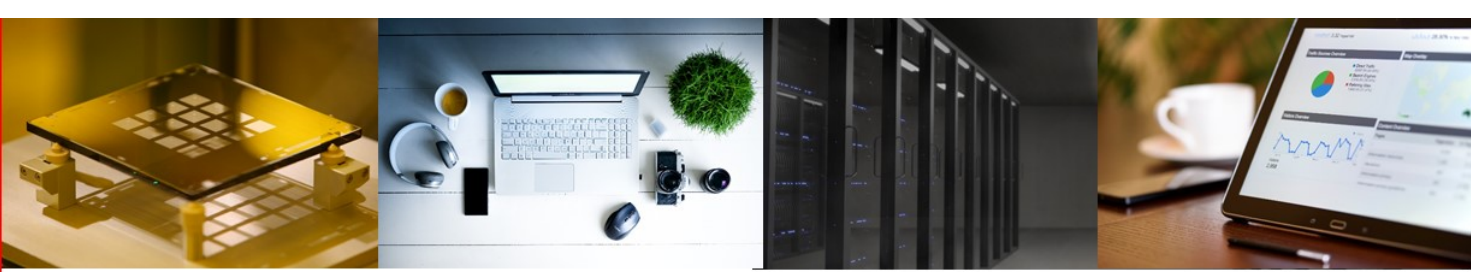
- ▶ **Cash balance improved on strong operating cash flow**
- ▶ **2018 capex now expected to be \$135M - \$150M (YTD = \$64M)**
 - Lower than previous guidance as some cash flows moved into Q119
 - Capex for Q119: \$135M - \$150M
- ▶ **Repurchased \$6.8M in shares during Q318**
- ▶ **Received \$6M capital contribution from China JV partner**
- ▶ **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

Q418 Guidance

Revenue (\$M)	\$133 - \$141
Taxes (\$M)	\$3.5 - \$4.5
EPS	\$0.14 - \$0.19
Diluted Shares (M)	~75

- ▶ **High-end demand expectations are positive**
 - High-end IC logic up on Asia foundry demand
 - High-end IC memory stable to improving
 - High-end FPD mask demand should improve as AMOLED industry supply increases
- ▶ **Expect margin headwinds thru H119 as China operations begin to ramp ahead of production in first half of 2019**
 - Expect EPS impact of \$0.03 - \$0.06 per quarter
 - Plan to be profitable by end of 2019

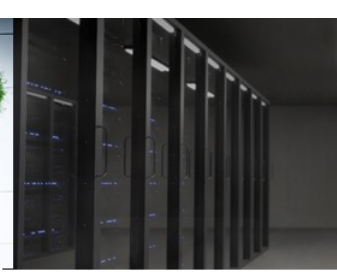
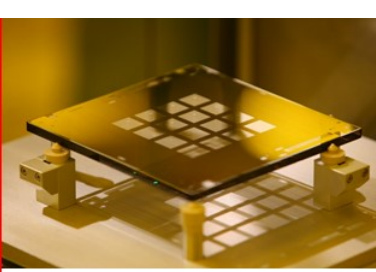


Thank you for your interest!

For Additional Information:

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

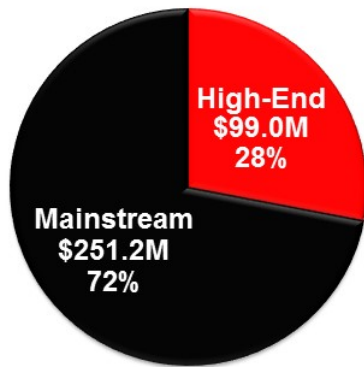




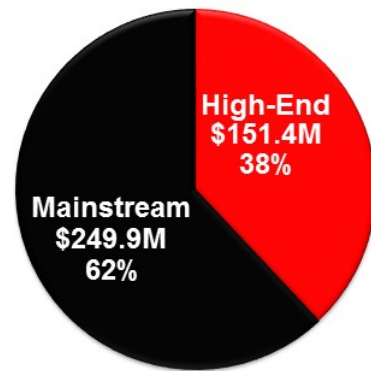
Appendix

IC Photomask Revenue

2017: \$350.3M



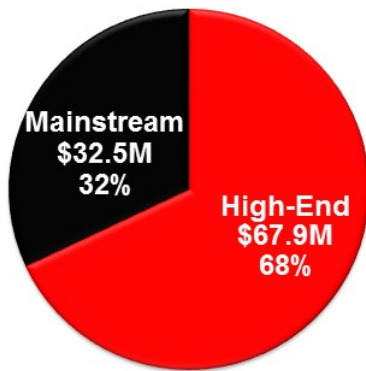
Q318 LTM: \$401.2M



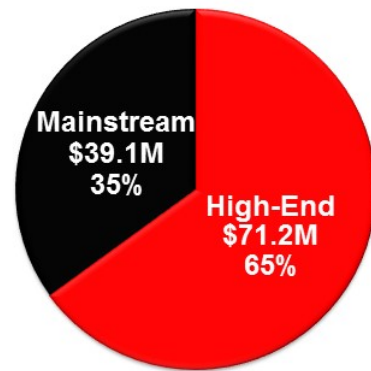
High-End: 28nm and smaller; total may differ due to rounding

FPD Photomask Revenue

2017: \$100.4M

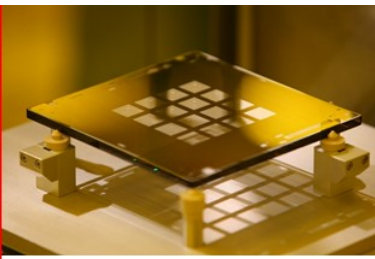


Q318 LTM: \$110.3M



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							
	July 29, 2018	April 29, 2018	January 28, 2018	October 29, 2017	July 30, 2017	April 30, 2017	January 29, 2017	October 30, 2016
Reconciliation of GAAP Net Income to Non-GAAP Adjusted EBITDA								
GAAP Net Income	\$ 19,797	\$ 15,189	\$ 9,481	\$ 10,496	\$ 4,799	\$ 1,484	\$ 4,510	\$ 6,569
Interest expense	557	551	574	578	550	550	559	616
Income tax expense	2,054	3,508	(1,778)	2,462	333	431	2,050	(1,337)
Depreciation and amortization	20,056	22,066	22,363	22,492	21,840	21,345	20,896	22,304
Other items (a)	784	163	884	785	984	921	937	980
Non-GAAP Adjusted EBITDA	<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>	<u>\$ 29,132</u>
Non-GAAP Adjusted LTM EBITDA (b)	\$ 153,062	\$ 138,320	\$ 121,574	\$ 119,002	\$ 111,321			

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.