

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 5, 2019

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 11, 2019, Photonics, Inc. (the “Company”) issued a press release reporting fourth quarter fiscal 2019 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 11, 2019, 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, 2019 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 5.02. Departure of Directors or Certain Officers; Election of Officers; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

The Company announced that Eric Rivera, Vice President, Corporate Controller, has been named Principal Accounting Officer effective December 5, 2019.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

- [99.1](#) Press Release dated December 11, 2019.
 - [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 2019 Financial Results Conference Call December 11, 2019 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: December 11, 2019



Press Release

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

Photronics Reports Fourth Quarter Fiscal 2019 Results

- Fourth quarter 2019 revenue increased 13% sequentially and 8% year-over-year to \$156.3 million, a record overall and for both IC and FPD photomasks
- Effective cost control and operating leverage at the increased revenue level helped expand operating margin to 13.7%
- Net income attributable to Photronics, Inc. shareholders was \$9.7 million, or \$0.15 per diluted share
- Cash provided by operating activities was \$48.3 million, resulting in a cash balance of \$206.5 million
- 1.0 million shares were repurchased for \$11.0 million
- First quarter 2020 guidance: revenue between \$146 and \$154 million with diluted EPS between \$0.13 and \$0.18

BROOKFIELD, Conn. December 11, 2019 (GLOBE NEWSWIRE) — Photronics, Inc. (NASDAQ:PLAB), a worldwide leader in photomask technologies and solutions, today reported financial results for its fiscal 2019 fourth quarter ended October 31, 2019.

Fourth quarter revenue was \$156.3 million, 13% better than the previous quarter and 8% better than the same quarter last year. Integrated circuit (IC) revenue was a record \$112.5 million, up 12% sequentially and 1% compared with the fourth quarter of last year. Flat panel display (FPD) revenue of \$43.7 million was also a record, up 15% compared with last quarter and 29% compared with the same period last year.

Net income attributable to Photronics, Inc. shareholders was \$9.7 million (\$0.15 per diluted share), compared with \$6.3 million (\$0.10 per diluted share) for the third quarter of 2019 and \$12.5 million (\$0.18 per diluted share) for the fourth quarter of 2018.

"Fourth quarter revenue was a record for us, marking the ninth consecutive quarter of year-over-year revenue growth and propelling us to record annual revenues for the second successive year. Design activity was robust across the majority of our customer base, and we continued to ramp production at two new manufacturing facilities in China," said Peter Kirlin, chief executive officer. "IC and FPD revenues were both a record. FPD benefited from strong mobile display markets and growing G10.5+ production, and IC saw an acceleration of design activity in China. Gross and operating margins improved sequentially due to high operating leverage and tight cost controls. During the quarter, we resumed our share repurchase activity while also growing our cash balance on strong operating cash generation. 2019 was a great year for Photronics, achieving record revenue, maintaining a strong balance sheet, demonstrating a commitment to return cash to our shareholders, and establishing a solid manufacturing presence in the rapidly growing China market. We are well positioned to build on this strength in 2020 and beyond."

First Quarter 2020 Guidance

For the first quarter of 2020, Photronics expects revenue to be between \$146 million and \$154 million, and net income attributable to Photronics, Inc. shareholders to be between \$0.13 and \$0.18 per diluted share.

Conference Call

A conference call to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, December 11, 2019. The call can be accessed by logging onto Photronics' website 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' website for instant replay access.

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 50 years. As of October 31, 2019, the company had 1,775 employees. The company has 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" within the meaning of the Private Securities Litigation Reform Act of 1995. The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements made by or on behalf of the company and its subsidiaries. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Photronics to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Statements preceded by, followed by or that otherwise include the words "believes," "expects," "anticipates," "intends," "projects," "estimates," "plans," "may increase," "may fluctuate," "will," "should," "would," "may" and "could" or similar words or expressions are generally forward-looking in nature and not historical facts. Any statements that refer to outlook, expectations or other characterizations of future events, circumstances or results, including all statements related to the operation or effects of the Section 382 Rights Plan and to the use of NOLs to offset future taxable income, are also forward-looking statements. Important risks, assumptions and other important factors that could cause future results to differ materially from those expressed in the forward-looking statements are specified in Photronics' Annual Report on Form 10-K for the year ended October 31, 2018 and its most recent Quarterly Report on Form 10-Q for the period ended July 28, 2019 under headings such as "Forward-Looking Statements", "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in other filings and furnishings made by Photronics with the Securities and Exchange Commission from time to time. 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. Photronics undertakes no obligation to release publicly any revisions to any forward-looking statements, to report events or to report the occurrence of unanticipated events. There is no assurance that Photronics' expectations will be realized.

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

	Three Months Ended			Year Ended	
	October 31, 2019	July 28, 2019	October 31, 2018	October 31, 2019	October 31, 2018
Revenue	\$ 156,257	\$ 138,112	\$ 144,660	\$ 550,660	\$ 535,276
Cost of goods sold	118,098	107,542	109,236	429,819	403,773
Gross profit	38,159	30,570	35,424	120,841	131,503
Operating Expenses:					
Selling, general and administrative	12,140	13,124	13,504	52,326	51,395
Research and development	4,543	4,046	3,906	16,394	14,481
Total Operating Expenses	16,683	17,170	17,410	68,720	65,876
Operating income	21,476	13,400	18,014	52,121	65,627
Other (expense) income, net	(6,111)	(348)	2,307	(1,420)	2,944
Income before income taxes	15,365	13,052	20,321	50,701	68,571
Income tax provision	2,327	3,218	3,552	10,210	7,335
Net income	13,038	9,834	16,769	40,491	61,236
Net income attributable to noncontrolling interests	3,338	3,487	4,282	10,698	19,181
Net income attributable to Photronics, Inc. shareholders	\$ 9,700	\$ 6,347	\$ 12,487	\$ 29,793	\$ 42,055
Earnings per share:					
Basic	\$ 0.15	\$ 0.10	\$ 0.18	\$ 0.45	\$ 0.61
Diluted	\$ 0.15	\$ 0.10	\$ 0.18	\$ 0.44	\$ 0.59
Weighted-average number of common shares outstanding:					
Basic	66,230	66,313	67,894	66,347	68,829
Diluted	66,862	66,570	73,921	69,155	74,821

PHOTRONICS, INC.
Condensed Consolidated Balance Sheets

(in thousands)
(Unaudited)

	<u>October 31,</u> <u>2019</u>	<u>October 31,</u> <u>2018</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 206,530	\$ 329,277
Accounts receivable	134,454	120,515
Inventories	48,155	29,180
Other current assets	49,634	23,759
	<u>438,773</u>	<u>502,731</u>
Total current assets	438,773	502,731
Property, plant and equipment, net	621,195	571,781
Intangible assets, net	7,870	12,368
Other assets	50,827	23,129
	<u>1,118,665</u>	<u>1,110,009</u>
Total assets	\$ 1,118,665	\$ 1,110,009
Liabilities and Equity		
Current liabilities:		
Debt	\$ 10,873	\$ 57,453
Accounts payable and accrued liabilities	141,081	133,623
	<u>151,954</u>	<u>191,076</u>
Total current liabilities	151,954	191,076
Long-term debt	41,887	-
Other liabilities	13,732	14,364
Photronics, Inc. shareholders' equity	769,892	759,671
Noncontrolling interests	141,200	144,898
Total equity	<u>911,092</u>	<u>904,569</u>
Total liabilities and equity	\$ 1,118,665	\$ 1,110,009

PHOTRONICS, INC.
Condensed Consolidated Statements of Cash Flows

(in thousands)
(Unaudited)

	Year Ended	
	October 31, 2019	October 31, 2018
Cash flows from operating activities:		
Net income	\$ 40,491	\$ 61,236
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	83,879	84,333
Share-based compensation	3,680	3,180
Changes in operating assets, liabilities and other	(56,210)	(18,182)
Net cash provided by operating activities	<u>71,840</u>	<u>130,567</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(177,191)	(92,585)
Government incentives	22,364	1,005
Other	(33)	711
Net cash used in investing activities	<u>(154,860)</u>	<u>(90,869)</u>
Cash flows from financing activities:		
Proceeds from debt	54,633	-
Contribution from noncontrolling interest	29,394	17,996
Repayments of debt	(61,319)	(4,639)
Dividends paid to noncontrolling interests	(45,050)	(8,166)
Purchase of treasury stock	(21,696)	(23,111)
Proceeds from share-based arrangements	2,071	4,634
Other	(92)	(519)
Net cash used in financing activities	<u>(42,059)</u>	<u>(13,805)</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	<u>2,381</u>	<u>(4,840)</u>
Net (decrease) increase in cash, cash equivalents, and restricted cash	(122,698)	21,053
Cash, cash equivalents, and restricted cash, beginning of period	<u>331,989</u>	<u>310,936</u>
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 209,291</u>	<u>\$ 331,989</u>



Photronics, Inc.

**Q4 2019 Financial Results Conference Call
December 11, 2019**



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.

Q4 2019 Summary

- ▶ **Record revenue, up 13% Q/Q and 8% Y/Y**
 - Record FPD revenue driven by mobile displays and Hefei production ramp
 - Record IC revenue as China design activity accelerates
 - Record revenue of products shipped to China, representing 33% of total revenue
- ▶ **Operating margin expanded to 13.7% on operating leverage and cost control**
- ▶ **Net income attributable to Photronics, Inc. shareholders of \$9.7M (\$0.15/share)**
- ▶ **Cash balance grew to \$207M on strong operating cash flow**
- ▶ **Repurchased 1.0M shares for \$11M**
- ▶ **China production contributed \$11M to revenue**

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

Income Statement Summary

\$M (except EPS)	Q419	Q319	Q/Q	Q418	Y/Y
Revenue	\$ 156.3	\$ 138.1	13%	\$ 144.7	8%
Gross Profit	\$ 38.2	\$ 30.6	25%	\$ 35.4	8%
<i>Gross Margin</i>	24.4%	22.1%	230 bps	24.5%	(10 bps)
Operating Income	\$ 21.5	\$ 13.4	60%	\$ 18.0	19%
<i>Operating Margin</i>	13.7%	9.7%	400 bps	12.5%	120 bps
Other income (expense)	(\$ 6.1)	(\$ 0.3)	(\$ 5.8)	\$ 2.3	(\$ 8.4)
Income tax provision	\$ 2.3	\$ 3.2	(\$ 0.9)	\$ 3.6	(\$ 1.2)
Minority interest	\$ 3.3	\$ 3.5	(\$ 0.1)	\$ 4.3	(\$ 0.9)
Net Income*	\$ 9.7	\$ 6.3	53%	\$ 12.5	(22%)
Diluted EPS*	\$ 0.15	\$ 0.10	\$ 0.05	\$ 0.18	(\$ 0.03)
<i>Days in quarter</i>	95	91	4	94	1

- ▶ **Gross and operating margin improved Q/Q on revenue growth, operating leverage and cost controls**
- ▶ **China operations were \$4.1M negative impact to operating income**
- ▶ **Other income/expense primarily attributable to FX gain/loss**
- ▶ **Minority interest reflects Taiwan JV gain partially offset by China JV loss**

*Net income attributable to Photronics, Inc. shareholders

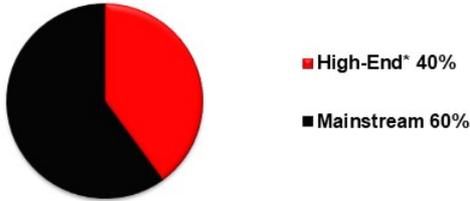


IC Photomask Revenue

\$M	Q419	Q319	Q/Q	Q418	Y/Y
High-End*	\$ 45.0	\$ 38.5	17%	\$ 39.4	14%
Mainstream	\$ 67.6	\$ 61.7	9%	\$ 71.4	(5%)
Total	\$ 112.5	\$ 100.2	12%	\$ 110.9	1%

Total may differ due to rounding

Q419 Revenue by Technology



*28nm and smaller

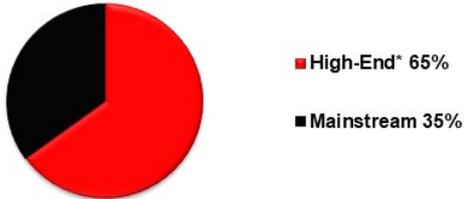
- ▶ Revenue grew with increase in broad-based design activity
- ▶ China revenue rebounded as firms accelerate product development
 - +72% Q/Q; +32% Y/Y
 - Represents 22% of Q419 IC revenue
- ▶ Outlook
 - Expect stable to improving high-end demand
 - Anticipate production ramping in Xiamen
 - Potential impact from US-China trade discussions
 - Seasonal headwinds

FPD Photomask Revenue

\$M	Q419	Q319	Q/Q	Q418	Y/Y
High-End*	\$ 28.5	\$ 25.9	10%	\$ 22.0	29%
Mainstream	\$ 15.2	\$ 12.0	27%	\$ 11.8	30%
Total	\$ 43.7	\$ 37.9	15%	\$ 33.8	29%

Total may differ due to rounding

Q419 Revenue by Technology



*≥G8 and AMOLED

▶ **Record FPD revenue driven by mobile displays and China production ramp, including G10.5+**

▶ **China revenue**

- +32% Q/Q; +118% Y/Y
- Represents 61% of Q419 FPD revenue

▶ **Outlook**

- Mobile display demand expected to remain high
- LCD industry downturn continues
- Hefei shipments should continue to ramp

Select Financial Data

\$M	Q419	Q319	Q418
Cash	\$ 207	\$ 197	\$ 329
Debt	\$ 53	\$ 49	\$ 57
Net Cash*	\$ 154	\$ 148	\$ 272
Operating Cash Flow	\$ 48	\$ 26	\$ 44
Capital Expenditures	\$ 17	\$ 20	\$ 28
Share repurchase	\$ 11	-	\$ 16

- ▶ **Deploying cash balance to fund China investments**
- ▶ **Debt is local China borrowing to finance fixed assets**
- ▶ **FY 2019 capex \$177M; anticipate FY 2020 capex ~ \$100M (includes 2019 carryover)**
- ▶ **Repurchased 1.0M shares for \$11M (YTD 2.1M shares for \$22M)**
- ▶ **Balance sheet able to fund planned investments, share repurchases, 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

Q120 Guidance

Revenue (\$M)	\$146 - \$154
Operating Margin	10% - 13%
Taxes (\$M)	\$3.5 - \$4.5
EPS	\$0.13 - \$0.18
Diluted Shares (M)	~66

- ▶ **FPD demand growing (AMOLED, G10.5+)**
- ▶ **High-end IC markets stable to improving**
- ▶ **Ramping China production (IC & FPD)**
- ▶ **Potential geopolitical headwind**
- ▶ **Typical seasonal softness in US and Europe, plus additional impact from Chinese New Year**

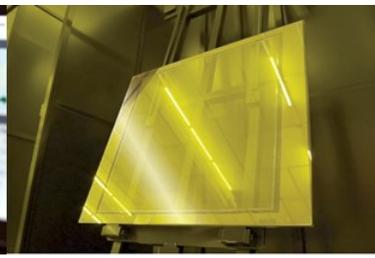
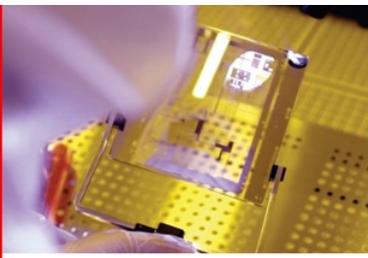


Thank you for your interest!

For Additional Information:

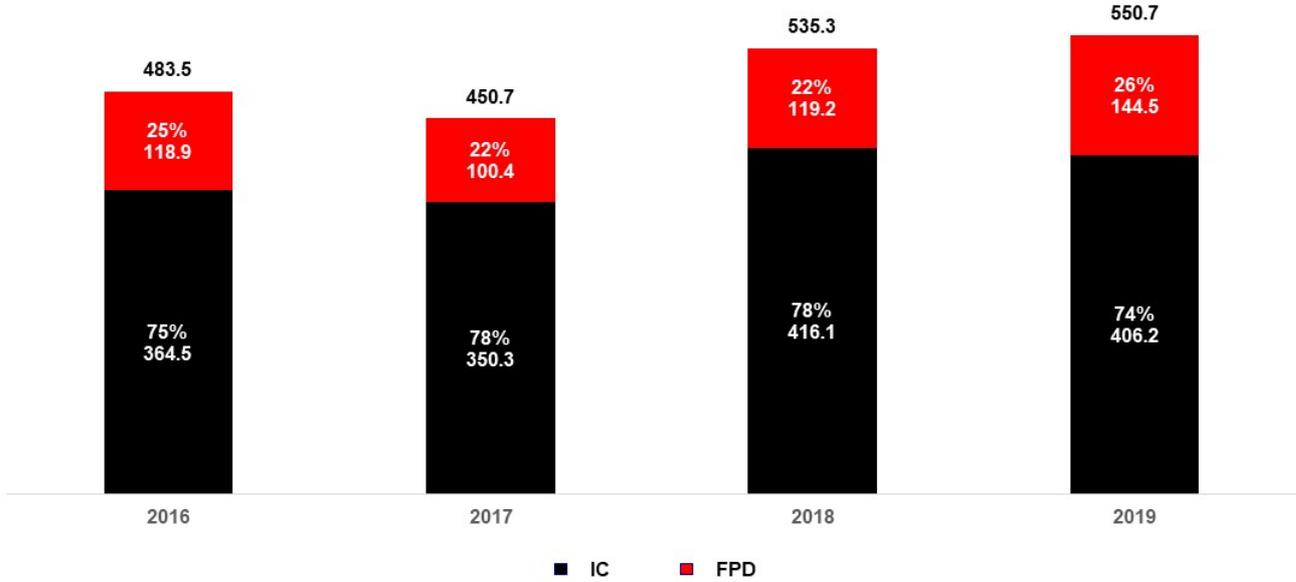
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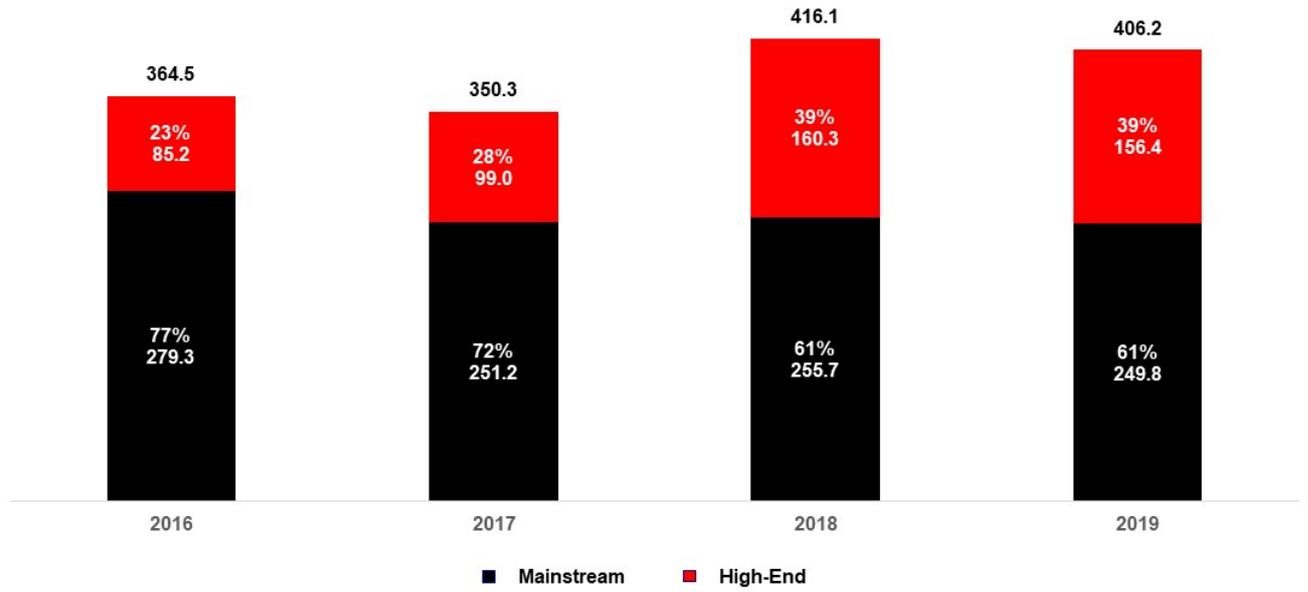


Appendix

Total Revenue

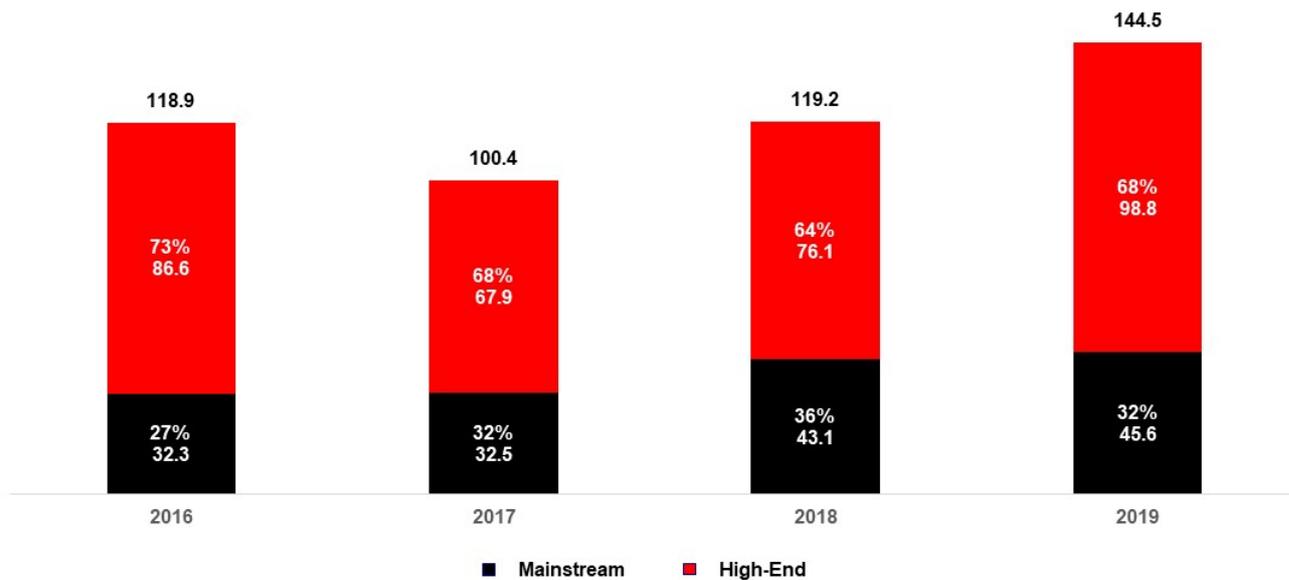


IC Photomask Revenue



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

FPD Photomask Revenue



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

