

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) September 6, 2023

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 September 6, 2023, Photonics, Inc. (the “Company”) issued a press release reporting third quarter fiscal 2023 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, 99.5, 99.6 and 99.7, 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 September 6, 2023, 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 30, 2023 may be disclosed. This information is set forth in Exhibit 99.7.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

[99.1](#) Press Release September 6, 2023.

[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 to Non-GAAP Financial Information (cont.).

[99.7](#) Photonics Q3 2023 Financial Results Conference Call September 6, 2023 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: Executive Vice President,
Chief Administrative Officer,
General Counsel and Secretary

Date: September 6, 2023

**For Further Information:**

John P. Jordan
Executive Vice President & CFO
203.740.5671
jjordan@photronics.com

Photronics Reports Third Quarter Fiscal 2023 Results

BROOKFIELD, Conn. September 6, 2023 (GLOBE NEWSWIRE) — Photronics, Inc. (NASDAQ:PLAB), a worldwide leader in photomask technologies and solutions, today reported financial results for its third quarter of fiscal year 2023 ended July 30, 2023.

“The Photronics team performed well in the third quarter, maintaining strong margins in an environment where we experienced a temporary demand slowdown in some of our end markets,” said Frank Lee, chief executive officer. “Revenues increased 2% over the prior year quarter and were slightly lower than the record levels in the second quarter of this year. IC declined sequentially as softer mainstream demand more than offset high-end growth in Asia. FPD high-end demand was lower as strong AMOLED sales were offset by lower LTPS and G10.5+.”

“Despite lower revenue, we maintained good profit margins and once again drove strong cash flow generation, further strengthening the balance sheet to fund our strategic growth initiatives and navigate the industry downturn. The long-term photomask demand outlook remains positive, driven by several secular drivers that support robust design activity for new devices and ongoing trends to onshore semiconductor production in response to rising geopolitical risks. As the world’s largest merchant photomask manufacturer, we are well positioned to benefit from these ongoing trends.”

Third Quarter Fiscal 2023 Results

- Revenue was \$224.2 million, up 2% year-over-year and down 2% sequentially
- GAAP net income attributable to Photronics, Inc. shareholders was \$27.0 million, or \$0.44 per diluted share, compared with \$31.2 million, or \$0.51 per diluted share in the third quarter 2022 and \$39.9 million, or \$0.65 per diluted share in the second quarter of 2023
- Non-GAAP net income attributable to Photronics, Inc. shareholders was \$31.6 million, or \$0.51 per diluted share, compared with \$28.9 million, or \$0.47 per diluted share in the third quarter 2022 and \$32.9 million, or \$0.54 per diluted share in the second quarter of 2023
- IC revenue was \$163.1 million, up 1% year-over-year and down 2% sequentially
- FPD revenue was \$61.1 million, up 4% from the same quarter last year and down 2% sequentially
- Cash generated from operating activities was \$85.9 million, and cash invested in organic growth through capital expenditures was \$21.1 million
- Cash balance at the end of the quarter was \$448.5 million, with \$27.3 million in short-term investments and \$26.7 million in debt

Fourth Quarter Fiscal 2023 Guidance

For the fourth quarter of fiscal 2023, Photronics expects revenue to be between \$222 million and \$232 million and non-GAAP net income attributable to Photronics, Inc. shareholders to be between \$0.51 and \$0.59 per diluted share.

Webcast

A webcast to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, September 6, 2023. The call will be broadcast live and on-demand on the [Events and Presentations](#) link on the Photronics website. Analysts and investors who wish to participate in the Q&A portion of the call should click [here](#). It is suggested that participants register fifteen minutes prior to the call's scheduled start time.

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 over 50 years. As of October 31, 2022, the company had 1,828 employees. The company operates 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" regarding our industry, our strategic position, and our financial and operating results. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results, performance or achievements to differ materially. Please refer to the documents we file with the Securities and Exchange Commission. These documents contain and identify important factors that could cause our actual results to differ materially from those contained in these forward-looking statements. These certain factors can be found at www.photronics.com/riskfactors. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. We are under no duty to update any of the forward-looking statements after the date of this release to conform these statements to actual results.

Non-GAAP Financial Measures

Non-GAAP Net Income attributable to Photronics, Inc. shareholders and non-GAAP earnings per share, Free Cash Flow, and Net Cash are "non-GAAP financial measures" as such term is defined by the Securities and Exchange Commission and may differ from similarly named non-GAAP financial measures used by other companies. The attached financial supplement reconciles Photronics, Inc. financial results under GAAP to non-GAAP financial information. We believe these non-GAAP financial measures that exclude certain items are useful for analysts and investors to evaluate our future on-going performance, because they enable a more meaningful comparison of our projected performance with our historical results. These non-GAAP metrics are not intended to represent funds available for our discretionary use and are not intended to represent, or be used as a substitute for, gross profit, operating income, net income, cash and cash equivalents, or cash flows from operations, 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 condensed consolidated balance sheets and statement of cash flows and must be considered in performing a comprehensive assessment of overall financial performance. Please refer to the non-GAAP reconciliations on the following pages.

06-23

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

	Three Months Ended			Nine Months Ended	
	July 30, 2023	April 30, 2023	July 31, 2022	July 30, 2023	July 31, 2022
Revenue	\$ 224,206	\$ 229,306	\$ 219,948	\$ 664,603	\$ 614,283
Cost of goods sold	137,405	140,904	136,085	413,323	400,338
Gross Profit	86,801	88,402	83,863	251,280	213,945
Operating Expenses:					
Selling, general and administrative	18,032	17,878	15,960	52,728	48,306
Research and development	3,505	3,479	4,151	10,287	14,297
Total Operating Expenses	21,537	21,357	20,111	63,015	62,603
Other operating loss	-	-	(23)	-	(17)
Operating Income	65,264	67,045	63,729	188,265	151,325
Non-operating (loss) income, net	(911)	13,571	3,641	(1,764)	16,370
Income Before Income Tax Provision	64,353	80,616	67,370	186,501	167,695
Income tax provision	16,098	21,343	18,146	50,023	43,717
Net Income	48,255	59,273	49,224	136,478	123,978
Net income attributable to noncontrolling interests	21,296	19,344	17,994	55,604	42,252
Net income attributable to Photonics, Inc. shareholders	<u>\$ 26,959</u>	<u>\$ 39,929</u>	<u>\$ 31,230</u>	<u>\$ 80,874</u>	<u>\$ 81,726</u>
Earnings per share:					
Basic	\$ 0.44	\$ 0.65	\$ 0.51	\$ 1.32	\$ 1.35
Diluted	\$ 0.44	\$ 0.65	\$ 0.51	\$ 1.31	\$ 1.34
Weighted-average number of common shares outstanding:					
Basic	61,233	61,138	60,701	61,089	60,488
Diluted	61,974	61,507	61,299	61,650	61,127

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

	<u>July 30,</u> <u>2023</u>	<u>October 31,</u> <u>2022</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 448,479	\$ 319,680
Short-term investments	27,325	38,820
Accounts receivable	206,128	198,147
Inventories	55,379	50,753
Other current assets	<u>34,900</u>	<u>37,252</u>
Total current assets	772,211	644,652
Property, plant and equipment, net	701,459	643,873
Other assets	<u>29,673</u>	<u>27,305</u>
Total assets	<u>\$ 1,503,343</u>	<u>\$ 1,315,830</u>
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	\$ 6,589	\$ 10,024
Accounts payable and accrued liabilities	<u>184,063</u>	<u>183,773</u>
Total current liabilities	190,652	193,797
Long-term debt	20,121	32,310
Other liabilities	40,694	27,634
Photronics, Inc. shareholders' equity	961,212	831,527
Noncontrolling interests	<u>290,664</u>	<u>230,562</u>
Total equity	<u>1,251,876</u>	<u>1,062,089</u>
Total liabilities and equity	<u>\$ 1,503,343</u>	<u>\$ 1,315,830</u>

PHOTRONICS, INC.
Condensed Consolidated Statements of Cash Flows

(in thousands)
(Unaudited)

	Nine Months Ended	
	July 30, 2023	July 31, 2022
Cash flows from operating activities:		
Net income	\$ 136,478	\$ 123,978
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	59,523	61,210
Share-based compensation	5,874	4,623
Changes in operating assets, liabilities and other	(6,319)	6,110
Net cash provided by operating activities	<u>195,556</u>	<u>195,921</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(78,813)	(46,337)
Purchases of available-for-sale debt securities	(9,837)	-
Proceeds from maturity of available-for-sale debt securities	22,500	-
Government incentives	2,033	1,394
Other	(116)	(179)
Net cash used in investing activities	<u>(64,233)</u>	<u>(45,122)</u>
Cash flows from financing activities:		
Repayments of debt	(16,351)	(51,917)
Purchases of treasury stock	-	(2,522)
Contributions from noncontrolling interest	-	24,995
Proceeds from share-based arrangements	1,241	5,505
Net settlements of restricted stock awards	(1,292)	(1,463)
Net cash used in financing activities	<u>(16,402)</u>	<u>(25,402)</u>
Effects of exchange rate changes on cash, cash equivalents, and restricted cash	<u>13,813</u>	<u>(21,308)</u>
Net increase in cash, cash equivalents, and restricted cash	128,734	104,089
Cash, cash equivalents, and restricted cash, beginning of period	<u>322,409</u>	<u>279,680</u>
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 451,143</u>	<u>\$ 383,769</u>

PHOTRONICS, INC.
Reconciliation of GAAP to Non-GAAP Financial Information
(in thousands)
(Unaudited)

	Three Months ended		
	July 30, 2023	April 30, 2023	July 31, 2022
Reconciliation of GAAP to Non-GAAP Non-operating (loss) Income:			
GAAP Non-operating (loss) income, net	\$ (911)	\$ 13,571	\$ 3,641
FX (gain) loss	4,543	(10,718)	(3,862)
Non-GAAP Non-operating (loss) income, net	<u>\$ 3,632</u>	<u>\$ 2,853</u>	<u>\$ (221)</u>
Reconciliation of GAAP to Non-GAAP Income tax provision:			
GAAP Income tax provision	\$ 16,098	\$ 21,343	\$ 18,146
Estimated tax effects of FX (gain) loss	(1,193)	2,823	955
Non-GAAP Income tax provision	<u>\$ 17,291</u>	<u>\$ 18,520</u>	<u>\$ 17,191</u>
Reconciliation of GAAP to Non-GAAP Noncontrolling interests:			
GAAP Noncontrolling interests	\$ 21,296	\$ 19,344	\$ 17,994
Estimated noncontrolling interest effects of above	1,328	901	527
Non-GAAP Noncontrolling interests	<u>\$ 19,968</u>	<u>\$ 18,443</u>	<u>\$ 17,467</u>
Reconciliation of GAAP to Non-GAAP Net Income:			
GAAP Net Income	\$ 26,959	\$ 39,929	\$ 31,230
FX (gain) loss	4,543	(10,718)	(3,862)
Estimated tax effects of above	(1,193)	2,823	955
Estimated noncontrolling interest effects of above	1,328	901	527
Non-GAAP Net Income	<u>\$ 31,637</u>	<u>\$ 32,935</u>	<u>\$ 28,850</u>
Weighted-average number of common shares outstanding - Diluted	<u>61,974</u>	<u>61,507</u>	<u>61,299</u>
Reconciliation of GAAP to Non-GAAP EPS:			
GAAP diluted earnings per share	\$ 0.44	\$ 0.65	\$ 0.51
Effects of the above adjustments	\$ 0.07	\$ (0.11)	\$ (0.04)
Non-GAAP diluted earnings per share	<u>\$ 0.51</u>	<u>\$ 0.54</u>	<u>\$ 0.47</u>

PHOTRONICS, INC.
Reconciliation of GAAP to Non-GAAP Financial Information (cont.)

(in thousands)
(Unaudited)

Reconciliation of Net cash provided by operating activities to Free Cash Flow

	<u>Nine Months ended</u> <u>July 30,</u> <u>2023</u>
GAAP Net cash provided by operating activities	\$ 195,556
Purchases of property, plant and equipment	(78,813)
Free Cash Flow	<u>\$ 116,743</u>

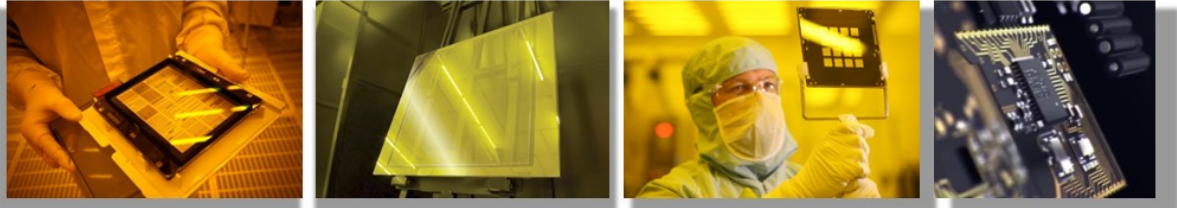
Reconciliation of Cash and cash equivalents to Net Cash:

	<u>As of</u>		
	<u>July 30,</u> <u>2023</u>	<u>October 31,</u> <u>2022</u>	<u>July 31,</u> <u>2022</u>
Cash and cash equivalents	\$ 448,479	\$ 319,680	\$ 380,833
Current portion of Long-term debt	(6,589)	(10,024)	(10,727)
Long-term Debt	(20,121)	(32,310)	(46,589)
Net Cash	<u>\$ 421,769</u>	<u>\$ 277,346</u>	<u>\$ 323,517</u>



Photronics, Inc.

Q3 2023 Financial Results Conference Call
September 6, 2023



PHOTRONICS, INC.

Safe Harbor Statement

This presentation and some of our comments during this presentation 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. We refer you to the documents the Company files from time to time with the Securities and Exchange Commission. These documents contain and identify important factors that could cause the actual results for the Company to differ materially from those contained in our projections or forward-looking statements. These certain factors can be found at www.photronics.com/riskfactors. Although we believe that the expectations reflected in the forward-looking statements are reasonable, 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.

Q3 2023 Summary

\$224.2M Revenue



IC: -2% Q/Q, +1% Y/Y

FPD: -2% Q/Q, +4% Y/Y

\$448.5M Cash balance

\$27.3M Short-term investments

\$85.9M generated from operating activity

\$21.1M invested in capex

\$26.7M total debt

- Maintaining margins and strong cash flow as demand softens Q/Q; favorable long-term demand drivers remain
- GAAP Net income* was \$27.0M, or \$0.44/share; non-GAAP was \$31.6M, or \$0.51/share
- Investing in IC capacity to capitalize on market growth trends

Committed to driving long-term, profitable growth through strategic investments

*Net income attributable to Photronics, Inc. shareholders

9/6/2023

3

Favorable Long-term Photomask Demand Drivers

- On pace for record year in 2023 with continued growth in 2024
- Drivers in place for continued growth in photomask demand
 - IC industry forecast to reach \$1T by 2030
 - New IC designs across high-end and mainstream for secular forces such as AI, data centers, IoT, automotive, industrial, and ML
 - Display innovation in mobile applications with integrated technologies (e.g., biometric identification) and foldable screens
- On-shoring trends support additional investments in global semiconductor manufacturing capacity
- Ongoing resurgence in legacy IC demand and limited growth in reticle supply supports price and investment in point tools
- As largest merchant photomask provider with expansive geographic footprint, Photronics uniquely positioned to benefit from these trends
- Capital allocation strategy and prudent balance sheet management support growth initiatives while increasing ROIC and resilience



Clear Strategy for Sustainable, Long-Term Profitable Growth

Revenue Growth

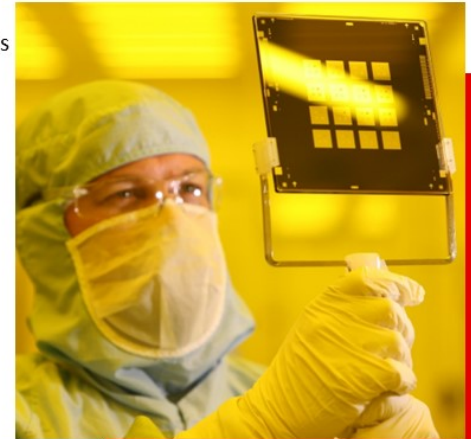
- Win lion's share of the growth in TAM for IC and FPD
- Continue targeted expansion of IC capacity, including mainstream point tool investments
- Leverage global footprint to exploit expansion of IC foundry business
- Capitalize on FPD technology leadership in AMOLED to continue improving mix

Margin Expansion

- Improved pricing environment in high-end and mainstream IC
- Optimize asset tool set to match end-market demand
- Increasing benefit from operating leverage

Explore Strategic Partnerships

- Long-term Purchase Agreements



Income Statement Summary

\$(M (except EPS)	GAAP			Non-GAAP ¹		
	Q323	Q223	Q322	Q323	Q223	Q322
Revenue	224.2	229.3	219.9			
Gross Profit	86.8	88.4	83.9			
Gross Margin	38.7%	38.6%	38.1%			
Operating Income	65.3	67.0	63.7			
Operating Margin	29.1%	29.2%	29.0%			
Non-operating income (loss)	(0.9)	13.6	3.6	3.6	2.9	(0.2)
Income tax provision	16.1	21.3	18.1	17.3	18.5	17.2
Minority interest	21.3	19.3	18.0	20.0	18.4	17.5
Net income ²	27.0	39.9	31.2	31.6	32.9	28.9
Diluted EPS ²	0.44	0.65	0.51	0.51	0.54	0.47
Days in quarter	91	91	91			

¹See reconciliation included in this presentation ²Net income attributable to Photronics, Inc. shareholders

9/6/2023

- Maintained margins Q/Q while demand softened across IC and FPD
- GAAP Non-operating income primarily consists of unrealized FX gain/loss;
- Non-GAAP removes effect of FX gain/loss
- Minority interest reflects net income of IC JVs in Taiwan and China

IC Photomask Revenue

\$M	Q323	Q223	Q/Q	Q322	Y/Y
High-End*	45.3	43.9	3%	52.7	(14%)
Mainstream	<u>117.8</u>	<u>123.1</u>	(4%)	<u>108.6</u>	<u>9%</u>
Total	163.1	167.1	(2%)	161.3	1%

*28nm and smaller

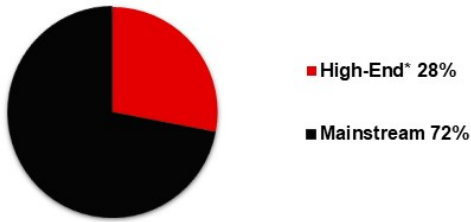
Note: Totals may differ due to rounding

- High-end increased Q/Q on stronger foundry/logic demand in Asia
- Mainstream softness Q/Q more than offset better high-end demand

• Outlook

- New designs by customers to gain market share and support technology roadmap
- Regionalization driving investments for global chip capacity
- ASPs continue to expand, reflecting the demand/supply dynamic

Q323 Revenue by Technology



9/6/2023

FPD Photomask Revenue

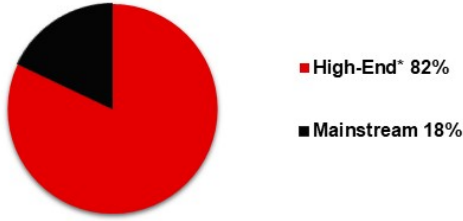
\$M	Q323	Q223	Q/Q	Q322	Y/Y
High-End*	50.0	51.9	(4%)	50.7	(1%)
Mainstream	<u>11.1</u>	<u>10.4</u>	<u>7%</u>	<u>8.0</u>	<u>39%</u>
Total	61.1	62.3	(2%)	58.7	4%

*≥G10.5, AMOLED and LTPS

Note: Totals may differ due to rounding.

- High-end down Q/Q as strong AMOLED sales offset by lower G10.5+ and LTPS demand
- Mainstream production expanded to maintain high utilization rate
- Outlook
 - Technology development drives demand for higher-value masks
 - Mobile demand is expected to improve with rollout of new designs and emerging competitors winning market share

Q323 Revenue by Technology



9/6/2023

Select Financial Data

<u>\$M</u>	<u>Q323</u>	<u>Q223</u>	<u>Q322</u>
Cash	448.4	367.5	380.8
Short-term Investments	27.3	45.4	-
Debt	26.7	28.3	57.3
Net Cash*	421.8	339.1	323.5
Operating Cash Flow	85.9	82.0	92.6
Capital Expenditures	21.1	26.6	11.5

*Net cash defined is a non-GAAP term; see reconciliation included in this presentation

9/6/2023

- Continued strong operating cash flow from income generation and working capital management
- Debt comprised of US equipment leases
- Capex targets growth in IC capacity & facility expansion
- Strong balance sheet able to fund investments, share repurchases, and strategic opportunities and resilient to effects of industry downturns

Q4 2023 Guidance

Revenue (\$M)	222 – 232
Operating Margin	29% - 31%
Taxes (\$M)	15 – 17
Diluted non-GAAP EPS	\$0.51 - \$0.59
Diluted Shares (M)	~62
Full-year Capex (M)	~130

- Incorporation of chips in IoT, 5G, Crypto and consumer products
 - New designs to capture market share
 - Advanced display technologies
- Outlook clouded by geopolitical uncertainty and macro-economic headwinds
- Driving margin expansion and cash flows to achieve long-term target model

Thank you for your interest!

For Additional Information:

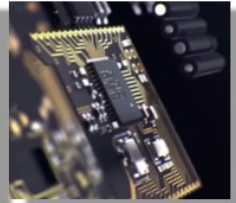
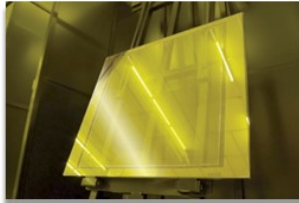
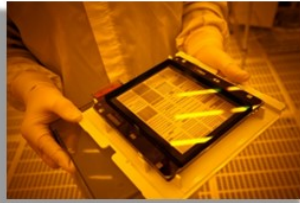
Please contact

John P. Jordan

Executive Vice President & CFO

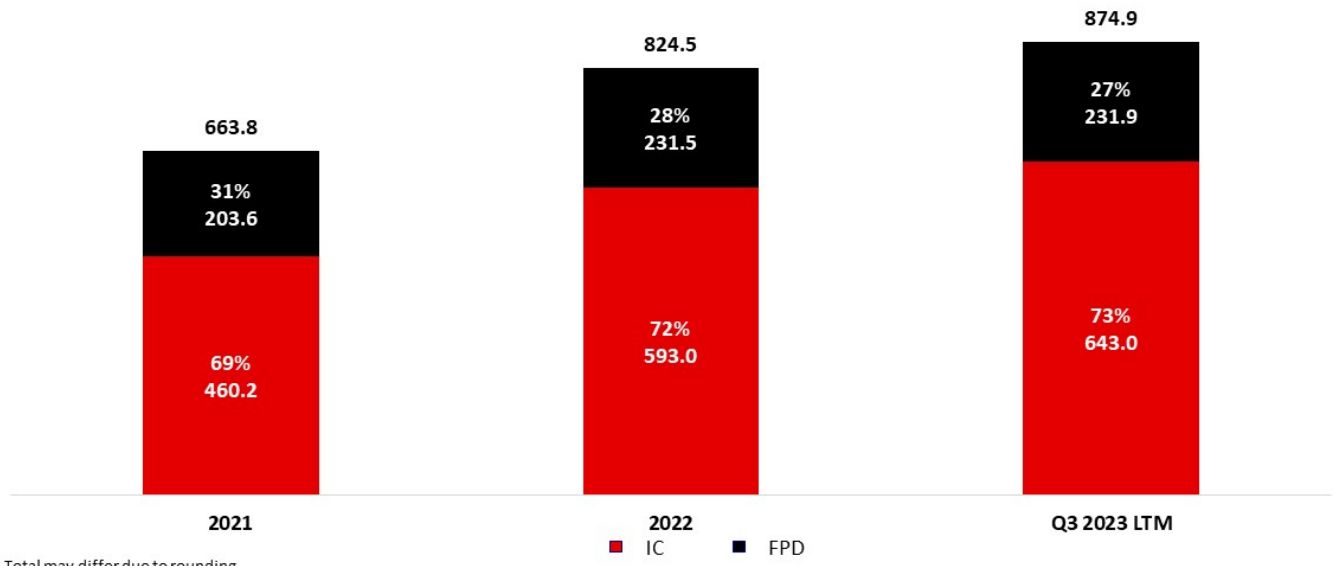
203.740.5671

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Appendix

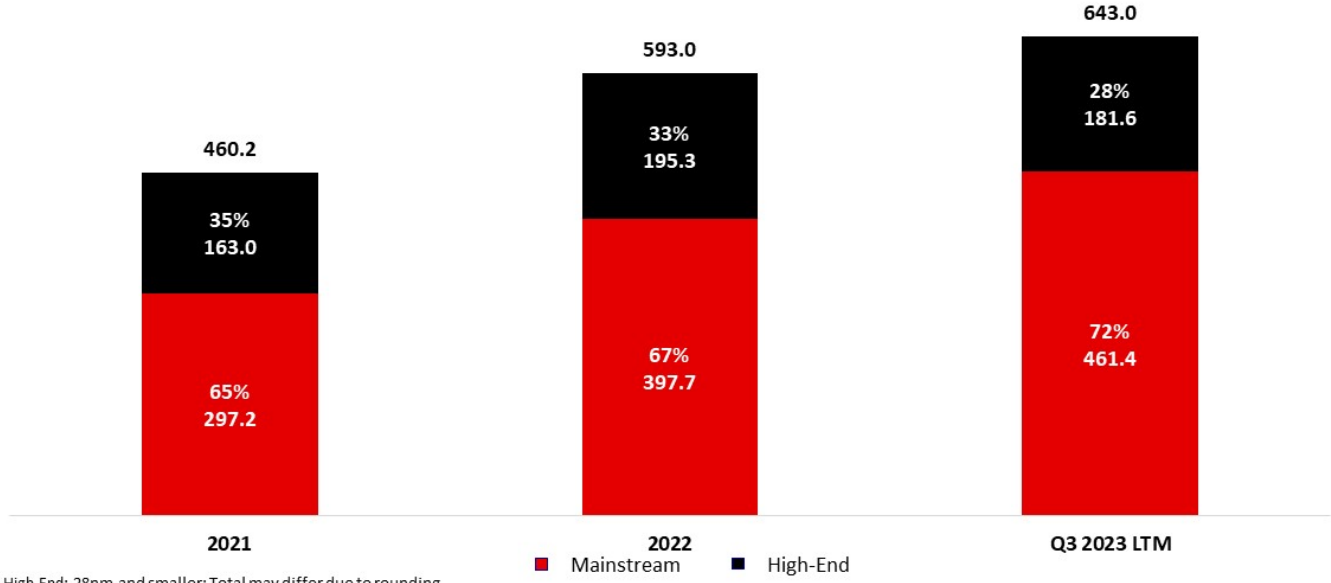
Total Revenue (\$M)



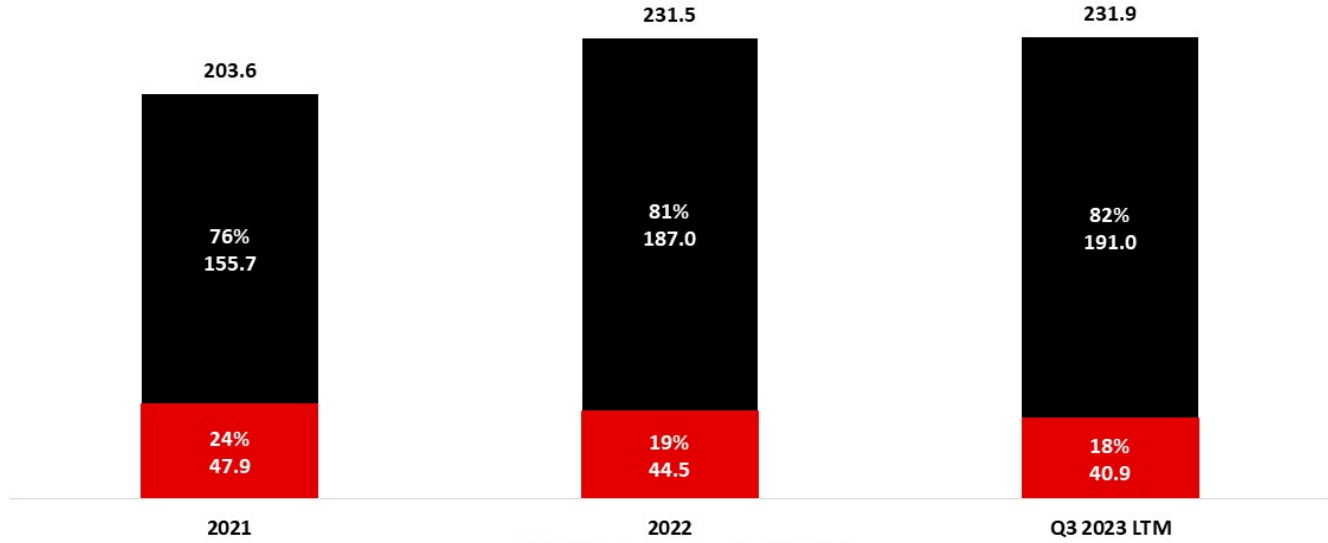
Total may differ due to rounding

9/6/2023

IC Photomask Revenue (\$M)



FPD Photomask Revenue (\$M)



High-End: ≥G10.5, AMOLED and LTPS; Total may differ due to rounding

■ Mainstream ■ High-End

Non-GAAP Financial Measures

Non-GAAP Net Income attributable to Photronics, Inc. shareholders and non-GAAP earnings per share, Free Cash Flow and Net Cash are "non-GAAP financial measures" as such term is defined by the Securities and Exchange Commission and may differ from similarly named non-GAAP financial measures used by other companies. The attached financial supplement reconciles Photronics, Inc. financial results under GAAP to non-GAAP financial information. We believe these non-GAAP financial measures that exclude certain items are useful for analysts and investors to evaluate our future on-going performance, because they enable a more meaningful comparison of our projected performance with our historical results. These non-GAAP metrics are not intended to represent funds available for our discretionary use and are not intended to represent or be used as a substitute for gross profit, operating income, net income, cash and cash equivalents, or cash flows from operations, 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 condensed consolidated balance sheets and statement of cash flows and must be considered in performing a comprehensive assessment of overall financial performance. Please refer to the non-GAAP reconciliations on the following pages.

Non-GAAP Financial Measures

PHOTRONICS, INC.
Reconciliation of GAAP to Non-GAAP Financial Information
(in thousands)
(Unaudited)

	Three Months ended		
	July 30, 2023	April 30, 2023	July 31, 2022
Reconciliation of GAAP to Non-GAAP Non-operating (loss) Income:			
GAAP Non-operating (loss) income, net	\$ (911)	\$ 13,571	\$ 3,641
FX (gain) loss	4,543	(10,718)	(3,862)
Non-GAAP Non-operating (loss) income, net	<u>\$ 3,632</u>	<u>\$ 2,853</u>	<u>\$ (221)</u>
Reconciliation of GAAP to Non-GAAP Income tax provision:			
GAAP Income tax provision	\$ 16,098	\$ 21,343	\$ 18,146
Estimated tax effects of FX (gain) loss	(1,193)	2,823	955
Non-GAAP Income tax provision	<u>\$ 17,291</u>	<u>\$ 18,520</u>	<u>\$ 17,191</u>
Reconciliation of GAAP to Non-GAAP Noncontrolling interests:			
GAAP Noncontrolling interests	\$ 21,296	\$ 19,344	\$ 17,994
Estimated noncontrolling interest effects of above	1,328	901	527
Non-GAAP Noncontrolling interests	<u>\$ 19,968</u>	<u>\$ 18,443</u>	<u>\$ 17,467</u>
Reconciliation of GAAP to Non-GAAP Net Income:			
GAAP Net Income	\$ 26,959	\$ 39,929	\$ 31,230
FX (gain) loss	4,543	(10,718)	(3,862)
Estimated tax effects of above	(1,193)	2,823	955
Estimated noncontrolling interest effects of above	1,328	901	527
Non-GAAP Net Income	<u>\$ 31,637</u>	<u>\$ 32,935</u>	<u>\$ 28,850</u>
Weighted-average number of common shares outstanding - Diluted	<u>61,974</u>	<u>61,507</u>	<u>61,299</u>
Reconciliation of GAAP to Non-GAAP EPS:			
GAAP diluted earnings per share	\$ 0.44	\$ 0.65	\$ 0.51
Effects of the above adjustments	\$ 0.07	\$ (0.11)	\$ (0.04)
Non-GAAP diluted earnings per share	<u>\$ 0.51</u>	<u>\$ 0.54</u>	<u>\$ 0.47</u>

9/6/2023

Non-GAAP Financial Measures

PHOTRONICS, INC.

Reconciliation of GAAP to Non-GAAP Financial Information (cont.)

(in thousands)
(Unaudited)

Reconciliation of Net cash provided by operating activities to Free Cash Flow

	<u>Nine Months ended</u> <u>July 30,</u> <u>2023</u>
GAAP Net cash provided by operating activities	\$ 195,556
Purchases of property, plant and equipment	(78,813)
Free Cash Flow	<u>\$ 116,743</u>

Reconciliation of Cash and cash equivalents to Net Cash:

	<u>As of</u>		
	<u>July 30,</u> <u>2023</u>	<u>October 31,</u> <u>2022</u>	<u>July 31,</u> <u>2022</u>
Cash and cash equivalents	\$ 448,479	\$ 319,680	\$ 380,833
Current portion of Long-term debt	(6,589)	(10,024)	(10,727)
Long-term Debt	(20,121)	(32,310)	(46,589)
Net Cash	<u>\$ 421,769</u>	<u>\$ 277,346</u>	<u>\$ 323,517</u>

9/6/2023

18