

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)

May 26, 2021

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 2.02. Results of Operations and Financial Condition.

On May 26, 2021, Photonics, Inc. issued a press release reporting second quarter fiscal 2021 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.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

- [99.1](#) Press Release dated May 26, 2021.
 - [99.2](#) Condensed Consolidated Statements of Income.
 - [99.3](#) Condensed Consolidated Balance Sheets.
 - [99.4](#) Condensed Consolidated Statements of Cash Flows.
 - [99.5](#) Photonics Q2 2021 Financial Results Conference Call May 26, 2021 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: Executive Vice President,
Chief Administrative Officer,
General Counsel and Secretary

Date: May 26, 2021



Press Release

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

Photronics Reports Second Quarter Fiscal 2021 Results

- Revenue was a record \$159.8 million, up 5% sequentially and 12% year-over-year
- Net income attributable to Photronics, Inc. shareholders was \$10.5 million, or \$0.17 per diluted share
- Cash provided by operating activities was \$31.9 million, capex was \$56.0 million, share repurchases were \$10.0 million, and ending cash balance was \$256.0 million
- Third quarter 2021 guidance: revenue between \$162 and \$172 million with diluted EPS between \$0.19 and \$0.25

BROOKFIELD, Conn. May 26, 2021 (GLOBE NEWSWIRE) — Photronics, Inc. (NASDAQ:PLAB), a worldwide leader in photomask technologies and solutions, today reported financial results for its fiscal 2021 second quarter ended May 2, 2021.

Second quarter revenue was \$159.8 million, up 5% compared with the previous quarter and 12% compared with the same quarter last year. Integrated circuit (IC) revenue was \$112.0 million, up 7% sequentially and 16% compared with the second quarter of last year. Flat panel display (FPD) revenue was \$47.8 million, up 1% compared with last quarter and 4% compared with the same period last year.

Net income attributable to Photronics, Inc. shareholders was \$10.5 million, or \$0.17 per diluted share, compared with \$8.0 million, or \$0.13 per diluted share, for the first quarter of 2021 and \$6.3 million, or \$0.10 per diluted share, for the second quarter of 2020.

"We achieved record revenue in the quarter, with growth in both IC and FPD, demonstrating the strength and resiliency of our design-driven demand model, supported by world-class capabilities and unmatched global presence," said Peter Kirlin, chief executive officer. "Our customers are responding to growing demand for their products, as they innovate to meet more advanced specifications. This creates an environment with strong design activity, driving mask demand across our business. As the largest merchant photomask manufacturer, we are well positioned to benefit from these trends. This ongoing market strength gives us confidence in meeting our long-term financial objectives as well as support for continued investment to expand capacity in our operations. Gross and operating margins expanded to 24.6 % and 13.0 %, respectively; and we are solidly executing our 2021 plan to outperform our market and increase operating profit by 23%."

Third Quarter 2021 Guidance

For the third quarter of 2021, Photronics expects revenue to be between \$162 million and \$172 million, and net income attributable to Photronics, Inc. shareholders to be between \$0.19 and \$0.25 per diluted share.

Conference Call

A conference call to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, May 26, 2021. 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.

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, 2020, the company had 1,728 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" 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 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 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 and Quarterly filings with the Securities and Exchange Commission 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, the current pandemic and future recurrences and other developments with respect thereto, governmental responses to the pandemic and related matters, changes in end markets resulting therefrom, changes in investment, tax, trade, exchange and other laws and regulations, compliance with local, State and Federal laws, rules and regulations including, but not limited to, import and export controls, tariffs and penalties, fines and violations related thereto, as well as economic, competitive, legal, governmental, political, monetary and fiscal policy, and technological factors and 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 or, except as required to be disclosed in filings or furnishings with the Securities and Exchange Commission, 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 | | | Six Months Ended | |
|--|--------------------|---------------------|----------------|------------------|----------------|
| | May 2, 2021 | January 31, 2021 | May 3, 2020 | May 2, 2021 | May 3, 2020 |
| Revenue | \$ 159,763 | \$ 152,067 | \$ 142,774 | \$ 311,830 | \$ 302,510 |
| Cost of goods sold | 120,514 | 121,538 | 112,341 | 242,052 | 237,475 |
| Gross profit | 39,249 | 30,529 | 30,433 | 69,778 | 65,035 |
| Operating Expenses: | | | | | |
| Selling, general and administrative | 14,067 | 14,053 | 13,267 | 28,120 | 27,486 |
| Research and development | 4,375 | 4,710 | 4,462 | 9,085 | 8,541 |
| Total Operating Expenses | 18,442 | 18,763 | 17,729 | 37,205 | 36,027 |
| Operating income | 20,807 | 11,766 | 12,704 | 32,573 | 29,008 |
| Other income (expense), net | (772) | 680 | (951) | (92) | 2,745 |
| Income before income tax provision | 20,035 | 12,446 | 11,753 | 32,481 | 31,753 |
| Income tax provision | 3,714 | 2,937 | 3,781 | 6,651 | 12,853 |
| Net income | 16,321 | 9,509 | 7,972 | 25,830 | 18,900 |
| Net income attributable to noncontrolling interests | 5,795 | 1,473 | 1,688 | 7,268 | 2,316 |
| Net income attributable to Photronics, Inc. shareholders | \$ 10,526 | \$ 8,036 | \$ 6,284 | \$ 18,562 | \$ 16,584 |
| Earnings per share: | | | | | |
| Basic | \$ 0.17 | \$ 0.13 | \$ 0.10 | \$ 0.30 | \$ 0.25 |
| Diluted | \$ 0.17 | \$ 0.13 | \$ 0.10 | \$ 0.30 | \$ 0.25 |
| Weighted-average number of common shares outstanding: | | | | | |
| Basic | 62,054 | 62,475 | 64,937 | 62,265 | 65,246 |
| Diluted | 62,568 | 63,005 | 65,417 | 62,786 | 65,933 |

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

| | <u>May 2, 2021</u> | <u>October 31, 2020</u> |
|--|------------------------|-----------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 255,965 | \$ 278,665 |
| Accounts receivable | 143,923 | 134,470 |
| Inventories | 56,384 | 57,269 |
| Other current assets | 39,336 | 29,735 |
| | <u>495,608</u> | <u>500,139</u> |
| Property, plant and equipment, net | 717,426 | 631,475 |
| Intangible assets, net | 1,356 | 3,437 |
| Other assets | 51,599 | 53,131 |
| | <u>1,265,989</u> | <u>1,188,182</u> |
| Total assets | <u>\$ 1,265,989</u> | <u>\$ 1,188,182</u> |
| Liabilities and Equity | | |
| Current liabilities: | | |
| Debt | \$ 25,658 | \$ 13,678 |
| Accounts payable and accrued liabilities | 133,629 | 129,261 |
| | <u>159,287</u> | <u>142,939</u> |
| Total current liabilities | 159,287 | 142,939 |
| Long-term debt | 88,444 | 54,980 |
| Other liabilities | 27,441 | 27,997 |
| Photronics, Inc. shareholders' equity | 821,392 | 804,962 |
| Noncontrolling interests | 169,425 | 157,304 |
| Total equity | <u>990,817</u> | <u>962,266</u> |
| Total liabilities and equity | <u>\$ 1,265,989</u> | <u>\$ 1,188,182</u> |

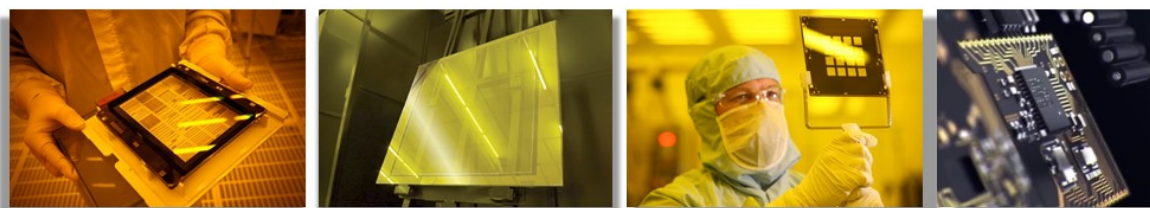
PHOTRONICS, INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(Unaudited)

| | Six Months Ended | |
|---|-------------------------|------------------------|
| | May 2, 2021 | May 3, 2020 |
| Cash flows from operating activities: | | |
| Net income | \$ 25,830 | \$ 18,900 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 47,121 | 47,896 |
| Share-based compensation | 2,723 | 2,576 |
| Changes in operating assets, liabilities and other | (17,455) | (8,049) |
| Net cash provided by operating activities | 58,219 | 61,323 |
| Cash flows from investing activities: | | |
| Purchases of property, plant and equipment | (73,516) | (30,127) |
| Government incentives | 5,775 | 5,260 |
| Other | (157) | (139) |
| Net cash used in investing activities | (67,898) | (25,006) |
| Cash flows from financing activities: | | |
| Proceeds from long-term debt | 12,439 | 1,140 |
| Contribution from noncontrolling interest | - | 7,600 |
| Purchase of treasury stock | (23,250) | (16,894) |
| Repayments of debt | (8,636) | (389) |
| Proceeds from share-based arrangements | 1,180 | 3,423 |
| Other | (371) | (251) |
| Net cash used in financing activities | (18,638) | (5,371) |
| Effect of exchange rate changes on cash, cash equivalents, and restricted cash | 5,686 | 475 |
| Net (decrease) increase in cash, cash equivalents, and restricted cash | (22,631) | 31,421 |
| Cash, cash equivalents, and restricted cash, beginning of period | 281,602 | 209,291 |
| Cash, cash equivalents, and restricted cash, end of period | \$ 258,971 | \$ 240,712 |



Photronics, Inc.

Q2 2021 Financial Results Conference Call
May 26, 2021



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.

Q2 2021 Summary

- Revenue was a record \$159.8M, up 5% Q/Q and 12% Y/Y
 - Growth achieved in both IC and FPD on strong design-driven demand
 - Revenue to China was up 16% Q/Q and 23% Y/Y
- Net income attributable to Photronics, Inc. shareholders of \$10.5M (\$0.17/share)
- Cash balance \$256M
 - \$32M generated from operating activity
 - \$56M invested in capex
 - \$10M returned to investors through share repurchases
- Next phase of FPD capacity investment on track for tool delivery in 2021
- Investing to expand mainstream IC capacity

Strategic investments driving long-term, profitable growth

Income Statement Summary

| \$M (except EPS) | Q221 | Q121 | Q/Q | Q220 | Y/Y |
|------------------------|----------|----------|----------|----------|----------|
| Revenue | \$ 159.8 | \$ 152.1 | 5% | \$ 142.8 | 12% |
| Gross Profit | \$ 39.2 | \$ 30.5 | 29% | \$ 30.4 | 29% |
| Gross Margin | 24.6% | 20.1% | 450 bps | 21.3% | 330 bps |
| Operating Income | \$ 20.8 | \$ 11.8 | 77% | \$ 12.7 | 64% |
| Operating Margin | 13.0% | 7.7% | 530 bps | 8.9% | 410 bps |
| Other income (expense) | (\$ 0.8) | \$ 0.7 | (\$ 1.5) | (\$ 1.0) | \$ 0.2 |
| Income tax provision | \$ 3.7 | \$ 2.9 | \$ 0.8 | \$ 3.8 | (\$ 0.1) |
| Minority interest | \$ 5.8 | \$ 1.5 | \$ 4.3 | \$ 1.7 | \$ 4.1 |
| Net Income* | \$ 10.5 | \$ 8.0 | 31% | \$ 6.3 | 68% |
| Diluted EPS* | \$ 0.17 | \$ 0.13 | \$ 0.04 | \$ 0.10 | \$ 0.07 |
| Days in quarter | 91 | 92 | (1) | 91 | - |

*Net income attributable to Photronics, Inc. shareholders
5/26/2021

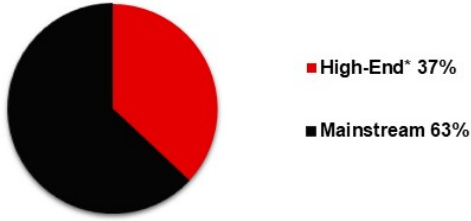
- Margin improved with higher revenue and better mainstream IC ASP
- Incremental margins >110% Q/Q
- Other income / (expense) primarily due to FX gain / (loss); Q221 includes China interest expense subsidy
- Minority interest from IC JVs in Taiwan and China

IC Photomask Revenue

| \$M | Q221 | Q121 | Q/Q | Q220 | Y/Y |
|------------|----------|----------|-----|---------|-----|
| High-End* | \$ 41.3 | \$ 36.8 | 12% | \$ 38.3 | 8% |
| Mainstream | \$ 70.7 | \$ 68.2 | 4% | \$ 58.6 | 21% |
| Total | \$ 112.0 | \$ 105.0 | 7% | \$ 96.8 | 16% |

Total may differ due to rounding

Q221 Revenue by Technology



*28nm and smaller
5/26/2021

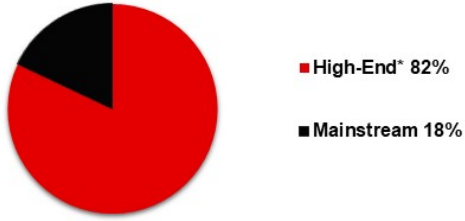
- High-end growth driven by logic recovery, especially in Taiwan & China
- Mainstream grew on positive demand trends and higher ASP
- China revenue +23% Q/Q and +53% Y/Y; represents 28% of IC revenue
- Outlook
 - Continued strength from remote work and education
 - Mainstream demand strong, with positive pricing
 - Continued macro risk from trade policies and shelter-in-place mandates

FPD Photomask Revenue

| \$M | Q221 | Q121 | Q/Q | Q220 | Y/Y |
|------------|---------|---------|-------|---------|-------|
| High-End* | \$ 39.4 | \$ 34.6 | 14% | \$ 31.8 | 24% |
| Mainstream | \$ 8.4 | \$ 12.5 | (33%) | \$ 14.1 | (41%) |
| Total | \$ 47.8 | \$ 47.1 | 1% | \$ 45.9 | 4% |

Total may differ due to rounding

Q221 Revenue by Technology



*≥G10.5, AMOLED and LTPS
5/26/2021

- High-end improved on strong LTPS & AMOLED demand for mobile displays
- Mainstream down as capacity was sold out to meet high-end demand
- China revenue +8% Q/Q and -1% Y/Y; represents 53% of FPD revenue
- Outlook
 - Dynamic market environment
 - Mobile demand strength expected to continue
 - Capacity expansions coming with new tool installations
 - Technology development drives demand for higher-value masks

Select Financial Data

| \$M | Q121 | Q121 | Q220 |
|---|--------|--------|--------|
| Cash | \$ 256 | \$ 279 | \$ 238 |
| Debt | \$ 114 | \$ 98 | \$ 53 |
| Net Cash* | \$ 142 | \$ 180 | \$ 184 |
| Operating Cash Flow | \$ 32 | \$ 26 | \$ 31 |
| Capital Expenditures | \$ 56 | \$ 18 | \$ 16 |
| Government Incentives for Capital Equipment | \$ 5 | \$ 0.4 | \$ 3 |
| Share repurchase | \$ 10 | \$ 13 | \$ 6 |

- Debt is US equipment lease and local China loans
- Expect 2021 capex to be ~\$120M
 - Completing initial China IC investment
 - Next phase of FPD investment
 - Mainstream IC capacity expansion
- Total share repurchases of \$41M under current \$100M plan (Sep 2020)
- Balance sheet able to fund 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
5/26/2021

Q321 Guidance

| | |
|--------------------|-----------------|
| Revenue (\$M) | \$162 - \$172 |
| Operating Margin | 13% - 16% |
| Taxes (\$M) | \$4 - \$6 |
| EPS | \$0.19 - \$0.25 |
| Diluted Shares (M) | ~62 |

- Positive industry demand trends
 - Remote work and learning
 - Made in China 2025
 - Advanced display technologies
- Outlook clouded by geopolitical uncertainty
 - Shelter-in-place mandates
 - US/China trade policies
- We remain focused on expanding margins and improving cash flows

Thank you for your interest!

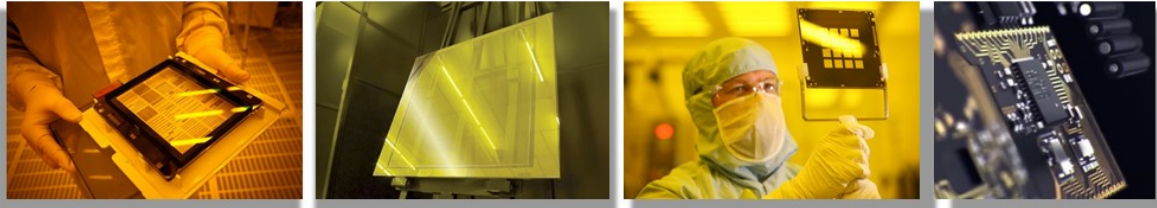
For Additional Information:

R. Troy Dewar, CFA

Vice President, Investor Relations

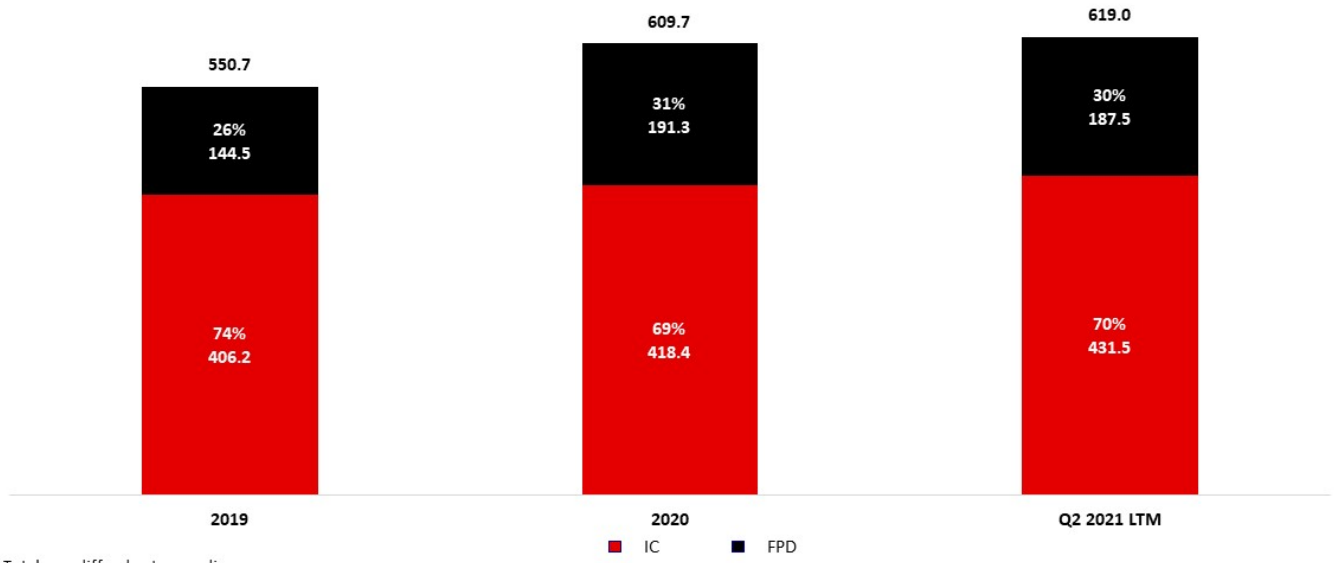
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Appendix

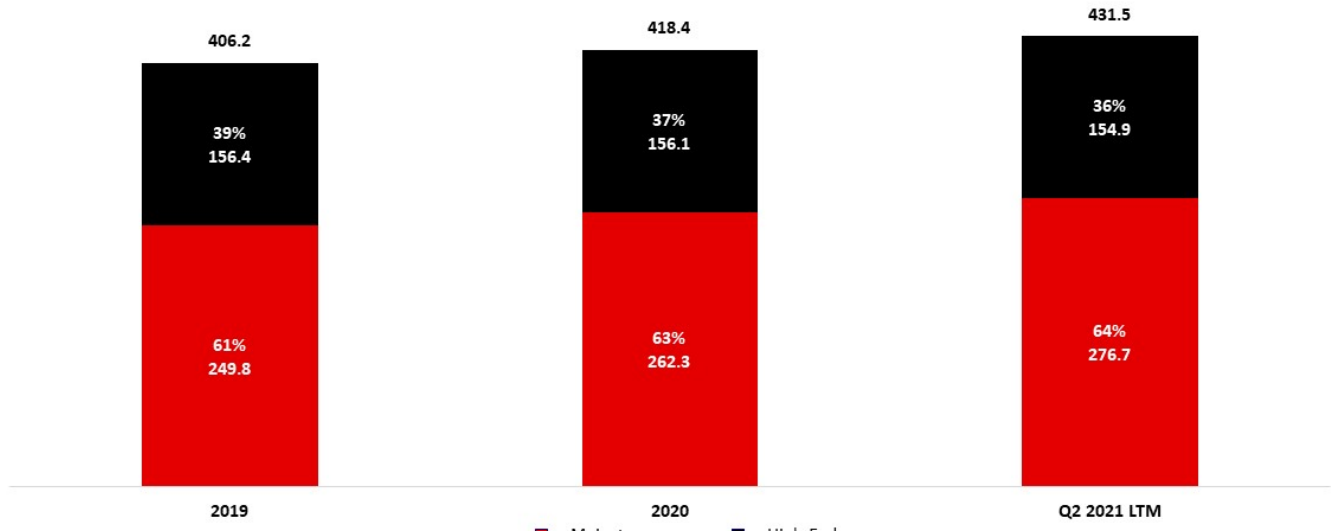
Total Revenue



Total may differ due to rounding

5/26/2021

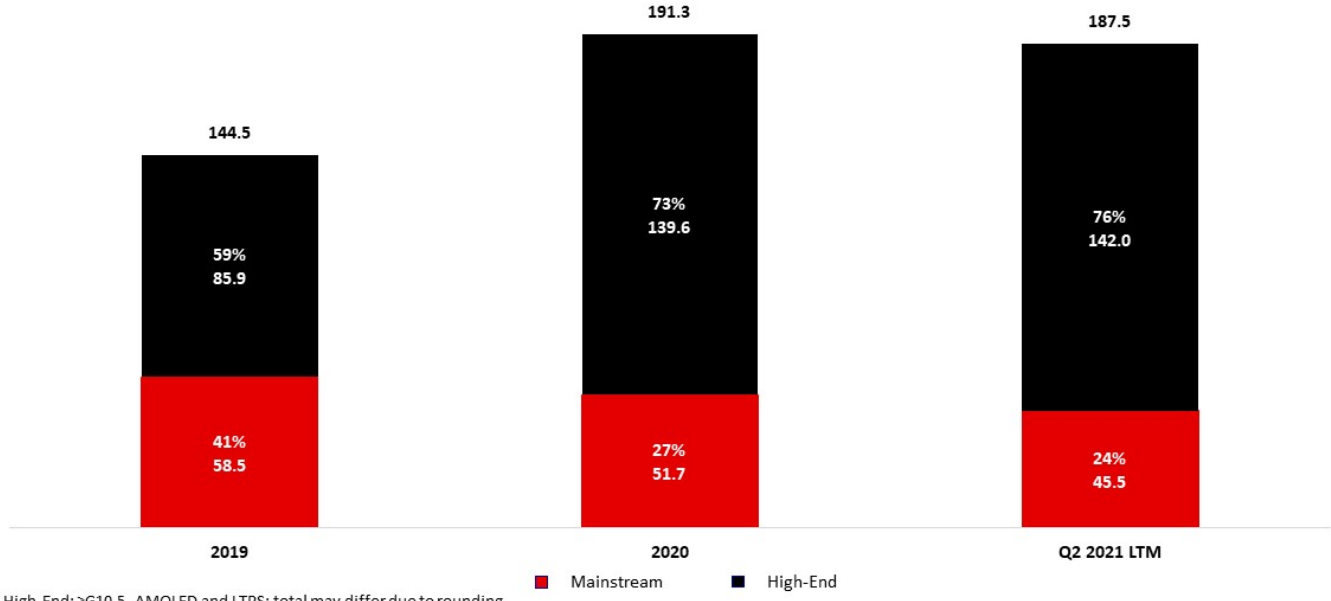
IC Photomask Revenue



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

■ Mainstream ■ High-End

FPD Photomask Revenue



5/26/2021