

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)

March 4, 2020

PHOTRONICS, INC.

(Exact name of registrant as specified in its charter)

Connecticut

(State or Other Jurisdiction of Incorporation)

000-15451

(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 March 4, 2020, Photonics, Inc. (the "Company") issued a press release reporting first quarter fiscal 2020 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 March 4, 2020.

[99.2](#) Condensed Consolidated Statements of Income.

[99.3](#) Condensed Consolidated Balance Sheets.

[99.4](#) Condensed Consolidated Statements of Cash Flows.

[99.5](#) Photonics Q1 2020 Financial Results Conference Call March 4, 2020 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: March 4, 2020



Press Release

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

Photronics Reports First Quarter Fiscal 2020 Results

- First quarter 2020 revenue of \$159.7 million was a record, up 2% sequentially and 28% year-over-year
- Net income attributable to Photronics, Inc. shareholders was \$10.3 million, or \$0.16 per diluted share
- Cash provided by operating activities was \$30.8 million, resulting in a cash balance of \$218.3 million
- 0.9 million shares were repurchased for \$11.0 million
- Second quarter 2020 guidance: revenue between \$145 and \$155 million with diluted EPS between \$0.11 and \$0.17

BROOKFIELD, Conn. March 4, 2020 (GLOBE NEWSWIRE) — [Photronics, Inc.](#) (NASDAQ:PLAB), a worldwide leader in photomask technologies and solutions, today reported financial results for its fiscal 2020 first quarter ended February 2, 2020.

First quarter revenue was a record \$159.7 million, 2% better than the previous quarter and 28% better than the same quarter last year. Integrated circuit (IC) revenue was \$107.0 million, down 5% sequentially and up 13% compared with the first quarter of last year. Flat panel display (FPD) revenue of \$52.8 million was also a record, up 21% compared with last quarter and 77% compared with the same period last year.

Net income attributable to Photronics, Inc. shareholders was \$10.3 million (\$0.16 per diluted share), compared with \$9.7 million (\$0.15 per diluted share) for the fourth quarter of 2019 and \$5.3 million (\$0.08 per diluted share) for the first quarter of 2019.

“We continued to perform well in the first quarter, achieving record revenues for the second consecutive quarter, as design activity remained high and we were able to extend our FPD leadership by bringing more capacity to the market,” said Peter Kirlin, chief executive officer. “IC revenues were up year-over-year, but down sequentially due to seasonal softness. An uptick in operating expenses associated with ramping our two new facilities drove operating margins below fourth quarter levels. Below the operating line, a foreign exchange gain and other one-time effects resulted in earnings of \$0.16 per share. We generated \$30.8 million cash flow from operating activities, resulting in a cash position of \$218.3 million. Despite potential short-term impact that may result from the coronavirus, we are optimistic that our long-term goals for 2020 are still on track. We continue to develop investment plans to drive further profitable growth across our operations.”

Second Quarter 2020 Guidance

For the second quarter of 2020, Photronics expects revenue to be between \$145 million and \$155 million, and net income attributable to Photronics, Inc. shareholders to be between \$0.11 and \$0.17 per diluted share.

Conference Call

A conference call to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, March 4, 2020. 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 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 and Quarterly filings with the Securities 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, 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.

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

	Three Months Ended		
	February 2, 2020	October 31, 2019	January 27, 2019
Revenue	\$ 159,736	\$ 156,257	\$ 124,712
Cost of goods sold	125,134	118,098	98,610
Gross profit	34,602	38,159	26,102
Operating Expenses:			
Selling, general and administrative	14,219	12,140	13,792
Research and development	4,080	4,543	4,263
Total Operating Expenses	18,299	16,683	18,055
Operating income	16,303	21,476	8,047
Other income (expense), net	3,697	(6,111)	1,108
Income before income taxes	20,000	15,365	9,155
Income tax provision	9,072	2,327	1,387
Net income	10,928	13,038	7,768
Net income attributable to noncontrolling interests	628	3,338	2,501
Net income attributable to Photronics, Inc. shareholders	<u>\$ 10,300</u>	<u>\$ 9,700</u>	<u>\$ 5,267</u>
Earnings per share:			
Basic	<u>\$ 0.16</u>	<u>\$ 0.15</u>	<u>\$ 0.08</u>
Diluted	<u>\$ 0.16</u>	<u>\$ 0.15</u>	<u>\$ 0.08</u>
Weighted-average number of common shares outstanding:			
Basic	<u>65,554</u>	<u>66,230</u>	<u>66,583</u>
Diluted	<u>66,449</u>	<u>66,862</u>	<u>67,047</u>

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

	February 2, 2020	October 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 218,309	\$ 206,530
Accounts receivable	141,720	134,454
Inventories	49,673	48,155
Other current assets	31,202	38,388
Total current assets	440,904	427,527
Property, plant and equipment, net	619,935	632,441
Intangible assets, net	6,847	7,870
Other assets	57,774	50,827
Total assets	\$ 1,125,460	\$ 1,118,665
Liabilities and Equity		
Current liabilities:		
Debt	\$ 17,934	\$ 10,873
Accounts payable and accrued liabilities	139,720	141,081
Total current liabilities	157,654	151,954
Long-term debt	36,449	41,887
Other liabilities	18,556	13,732
Photronics, Inc. shareholders' equity	770,676	769,892
Noncontrolling interests	142,125	141,200
Total equity	912,801	911,092
Total liabilities and equity	\$ 1,125,460	\$ 1,118,665

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

	Three Months Ended	
	February 2, 2020	January 27, 2019
Cash flows from operating activities:		
Net income	\$ 10,928	\$ 7,768
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	24,626	18,781
Share-based compensation	1,356	1,062
Changes in operating assets, liabilities and other	(6,125)	(46,897)
Net cash provided by (used in) operating activities	<u>30,785</u>	<u>(19,286)</u>
Cash flows from investing activities:		
Purchases of property, plant and equipment	(13,807)	(106,925)
Government incentive	2,417	5,029
Other	(139)	19
Net cash used in investing activities	<u>(11,529)</u>	<u>(101,877)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	1,140	28,180
Purchase of treasury stock	(11,000)	(10,696)
Repayments of long-term debt	(389)	-
Proceeds from share-based arrangements	2,886	650
Contribution from noncontrolling interest	-	29,394
Dividends paid to noncontrolling interests	-	(26,102)
Other	(248)	(45)
Net cash (used in) provided by financing activities	<u>(7,611)</u>	<u>21,381</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	<u>149</u>	<u>2,961</u>
Net increase (decrease) in cash, cash equivalents, and restricted cash	11,794	(96,821)
Cash, cash equivalents, and restricted cash, beginning of period	<u>209,291</u>	<u>331,989</u>
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 221,085</u>	<u>\$ 235,168</u>



Photronics, Inc.

Q1 2020 Financial Results Conference Call
March 4, 2020



Safe Harbor Statement

This presentation and some of our comments may contain projections or other forward-looking statements regarding future events, our future financial performance, and/or the future performance of the industry. These statements are predictions, and contain risks and uncertainties. Actual events or results may differ materially from those presented. These statements include words like “anticipate”, “believe”, “estimate”, “expect”, “forecast”, “may”, “plan”, “project”, “in our view” or the negative thereto. We cannot guarantee the accuracy of any forecasts or estimates, and we are not obligated to update any forward-looking statements if our expectations change. If you would like more information on the risks involved in forward-looking statements, please see the documents we file from time to time with the Securities and Exchange Commission.

Save the Date
Photonics Investor Day

Friday, May 29, 2020
New York Hilton Midtown Manhattan
New York City

Details to follow.

Contact Troy Dewar (tdewar@photonics.com) with questions.



Q1 2020 Summary

- ▶ **Record revenue of \$159.7M, up 2% Q/Q and 28% Y/Y**
 - Record FPD revenue driven by mobile displays and Hefei production ramp
 - IC revenue up Y/Y as design activity remains strong; seasonal softness in memory Q/Q
 - Record revenue of products shipped to China, up 13% Q/Q; represents 37% of total revenue
- ▶ **Net income attributable to Photronics, Inc. shareholders of \$10.3M (\$0.16/share)**
- ▶ **Cash balance grew to \$218M; \$31M operating cash generation**
- ▶ **Repurchased 0.9M shares for \$11M**
- ▶ **China production contributed \$20M to revenue; Hefei facility generated operating profit and positive operating cash flow**
- ▶ **Potential impact in Q2 due to coronavirus**

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

Income Statement Summary

\$M (except EPS)	Q120	Q419	Q/Q	Q119	Y/Y
Revenue	\$ 159.7	\$ 156.3	2%	\$ 124.7	28%
Gross Profit	\$ 34.6	\$ 38.2	(9%)	\$ 26.1	33%
<i>Gross Margin</i>	<i>21.7%</i>	<i>24.4%</i>	<i>(270 bps)</i>	<i>20.9%</i>	<i>80 bps</i>
Operating Income	\$ 16.3	\$ 21.5	(24%)	\$ 8.0	103%
<i>Operating Margin</i>	<i>10.2%</i>	<i>13.7%</i>	<i>(350 bps)</i>	<i>6.5%</i>	<i>370 bps</i>
Other income (expense)	\$ 3.7	(\$ 6.1)	\$ 9.8	\$ 1.1	\$ 2.6
Income tax provision	\$ 9.1	\$ 2.3	\$ 6.7	\$ 1.4	\$ 7.7
Minority interest	\$ 0.6	\$ 3.3	(\$ 2.7)	\$ 2.5	(\$ 1.9)
Net Income*	\$ 10.3	\$ 9.7	6%	\$ 5.3	96%
Diluted EPS*	\$ 0.16	\$ 0.15	\$ 0.01	\$ 0.08	\$ 0.08
<i>Days in quarter</i>	<i>94</i>	<i>95</i>	<i>(1)</i>	<i>88</i>	<i>6</i>

- ▶ **Gross and operating margin negatively affected by higher ramp and compensation expense**
- ▶ **China operations were \$2.9M negative impact to operating income; Hefei facility achieved operating profit**
- ▶ **Other income includes FX gain and higher China interest expense**
- ▶ **Minority interest reflects Taiwan JV gain offset by China JV loss**

IC Photomask Revenue

\$M	Q120	Q419	Q/Q	Q119	Y/Y
High-End*	\$ 41.0	\$ 45.0	(9%)	\$ 34.6	19%
Mainstream	\$ 65.9	\$ 67.6	(2%)	\$ 60.3	9%
Total	\$ 107.0	\$ 112.5	(5%)	\$ 94.9	13%

Total may differ due to rounding

Q120 Revenue by Technology



- High-End* 38%
- Mainstream 62%

*28nm and smaller

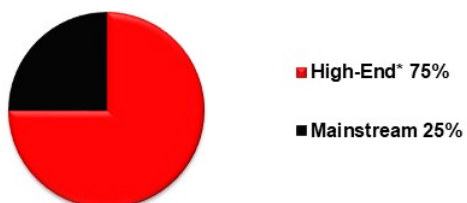
- ▶ **High-end down Q/Q on seasonal softness; Y/Y driven by strong logic and memory**
- ▶ **China revenue strong as design activity remains robust**
 - +3% Q/Q; +74% Y/Y
 - Represents 24% of Q120 IC revenue
- ▶ **Outlook**
 - High uncertainty related to coronavirus reaction
 - Otherwise, expect stable to improving high-end demand
 - Anticipate production ramping in Xiamen

FPD Photomask Revenue

\$M	Q120	Q419	Q/Q	Q119	Y/Y
High-End*	\$ 39.8	\$ 25.4	56%	\$ 15.4	159%
Mainstream	\$ 13.0	\$ 18.3	(29%)	\$ 14.5	(10%)
Total	\$ 52.8	\$ 43.7	21%	\$ 29.8	77%

Total may differ due to rounding

Q120 Revenue by Technology



*≥G10.5, AMOLED and LTFS

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

▶ **China revenue**

- +22% Q/Q; +154% Y/Y
- Represents 62% of Q120 FPD revenue

▶ **Outlook**

- High uncertainty related to coronavirus reaction
- Mobile display demand expected to remain high
- Production should remain at capacity

New FPD High-End Definition

- ▶ **To align with industry trends and reflect our new operating environment, we redefined high-end FPD photomasks**
 - Old definition: AMOLED, G8.5 or greater (includes G10.5+)
 - New definition: AMOLED, G10.5+ (G8.5 now mainstream), LTPS
- ▶ **Table shows revenue splits per new definition**

	Full-year 2018	Q119	Q219	Q319	Q419	Full-year 2019
High-End FPD	52,942	15,350	22,051	23,088	25,435	85,924
Mainstream FPD	66,270	14,482	10,942	14,839	18,283	58,546
Total FPD	119,212	29,832	32,993	37,927	43,718	144,470

Select Financial Data

\$M	Q120	Q419	Q119
Cash	\$ 218	\$ 207	\$ 232
Debt	\$ 54	\$ 53	\$ 86
Net Cash*	\$ 164	\$ 154	\$ 146
Operating Cash Flow	\$ 31	\$ 45	(\$ 19)
Capital Expenditures	\$ 14	\$ 18	\$ 107
Government Incentives	\$ 2	\$ 9	\$ 5
Share repurchase	\$ 11	\$ 11	\$ 11

- ▶ **Debt is local China borrowing to finance fixed assets**
- ▶ **FY 2020 capex ~ \$100M (includes 2019 carryover & \$35M capital lease)**
- ▶ **Repurchased 0.9M shares for \$11M**
- ▶ **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

Q220 Guidance

Revenue (\$M)	\$145 - \$155
Operating Margin	7% - 11%
Taxes (\$M)	\$3.5 - \$4.5
EPS	\$0.11 - \$0.17
Diluted Shares (M)	~66

- ▶ **High uncertainty related to coronavirus reaction**
- ▶ **FPD demand growing (AMOLED, LTPS, G10.5+)**
- ▶ **High-end IC markets stable to improving**
- ▶ **Ramping China production (IC & FPD)**
- ▶ **Potential geopolitical headwind**

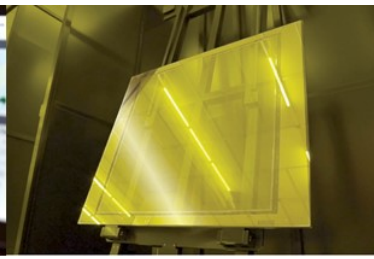
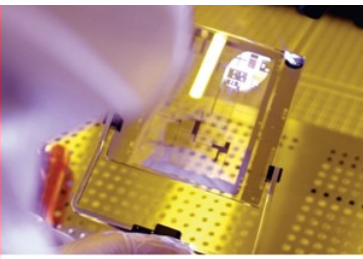


Thank you for your interest!

For Additional Information:

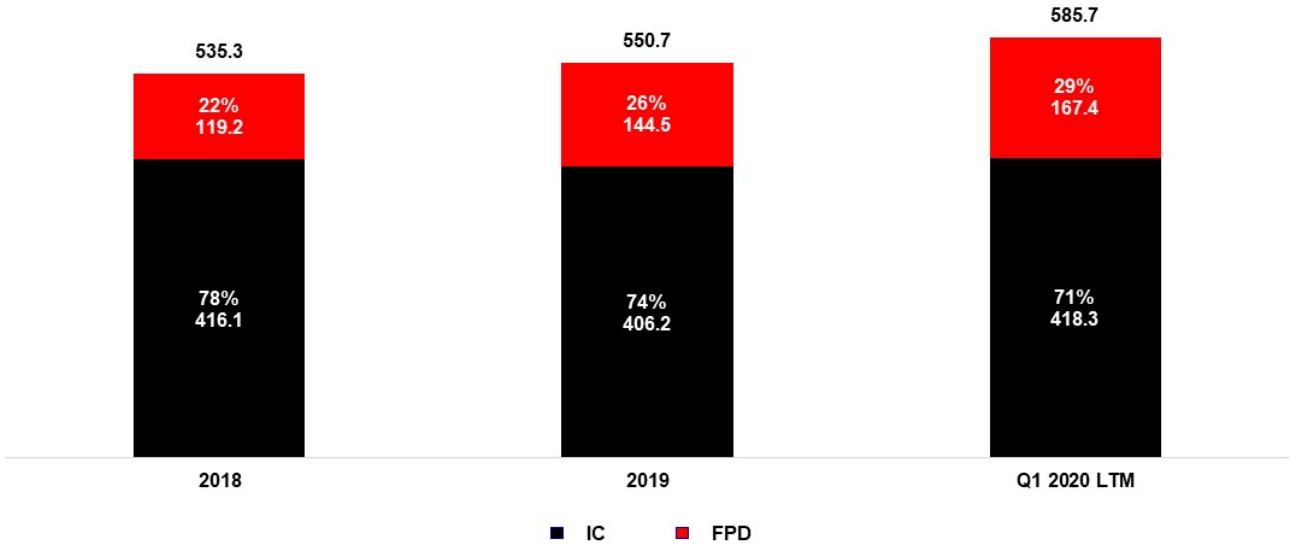
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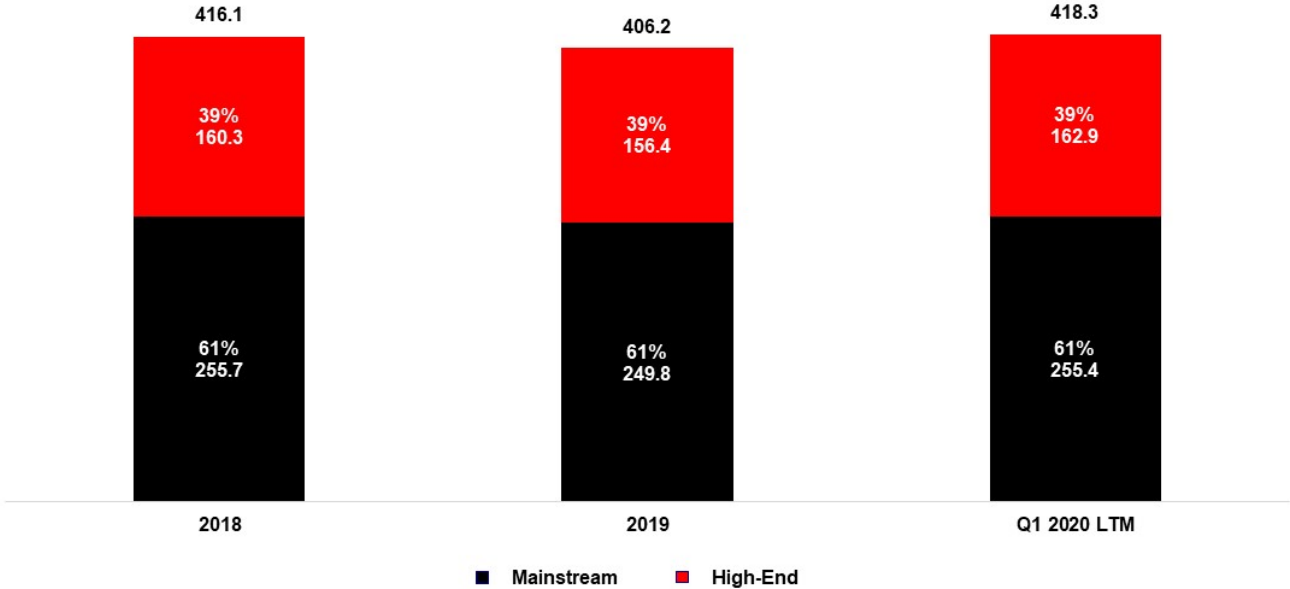


Appendix

Total Revenue



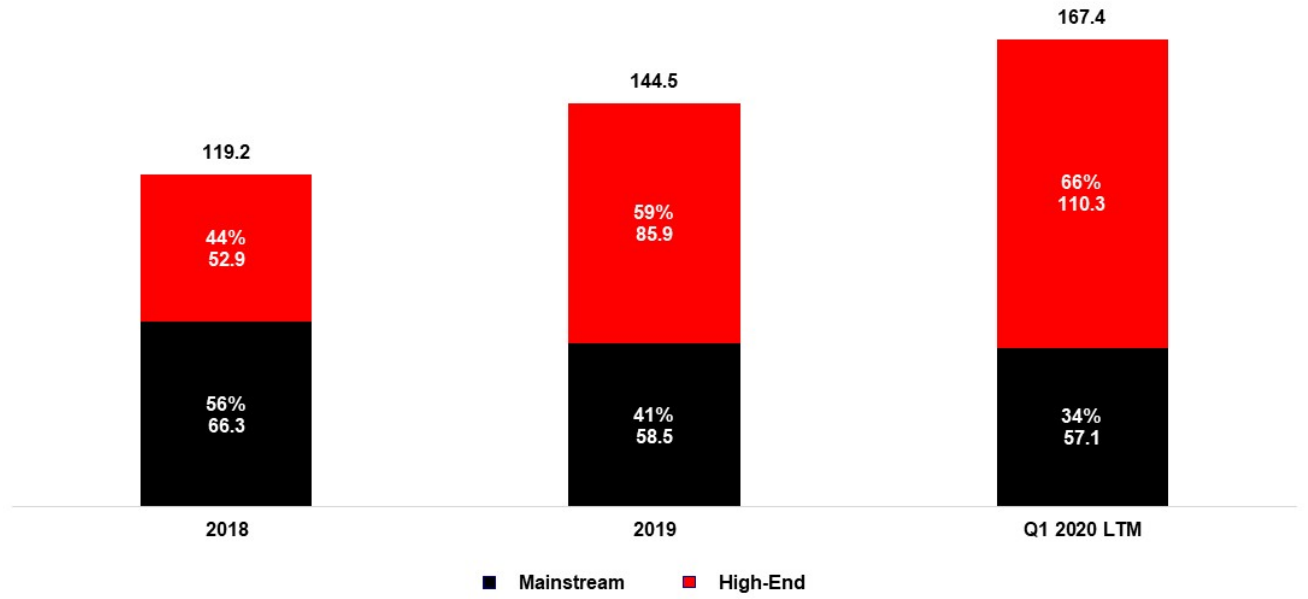
IC Photomask Revenue



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



FPD Photomask Revenue



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

