

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT



Pursuant To Section 13 Or 15(d) Of The Securities Exchange Act Of 1934

Date of report (Date of earliest event reported) August 20, 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	PLAB	NASDAQ Global Select Market

**Item 2.02 Results of Operation and Financial Condition**

On August 20, 2019, the Corporation issued a press release reporting third 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 August 20, 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 July 28, 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 9.01. Financial Statements and Exhibits**

(d) Exhibits

- [99.1](#) Press Release dated August 20, 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 Q3 2019 Financial Results Conference Call August 20, 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: August 20, 2019

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

### Photronics Reports Third Quarter Fiscal 2019 Results

- Third quarter 2019 revenue was \$138.1 million, up 5% sequentially and 1% year-over-year
- Net income attributable to Photronics, Inc. shareholders was \$6.3 million, or \$0.10 per diluted share
- Strong cash generation increased cash to \$197 million, even as investments in China expansion continue
- Fourth quarter 2019 guidance: revenue between \$143 and \$151 million with diluted EPS between \$0.11 and \$0.17

BROOKFIELD, Conn. August 20, 2019 (GLOBE NEWSWIRE) — Photronics, Inc. (NASDAQ:PLAB), a worldwide leader in photomask technologies and solutions, today reported financial results for its fiscal 2019 third quarter ended July 28, 2019.

\$ Millions, except per share data	Financial Results Summary			Q/Q	Y/Y
	Q319	Q219	Q318		
Revenue	138.1	131.6	136.4	5%	1%
Integrated circuit (IC) revenue	100.2	98.6	107.2	2%	(7%)
Flat panel display (FPD) revenue	37.9	33.0	29.1	15%	30%
Net income attributable to Photronics, Inc. shareholders	6.3	8.5	13.0	(25%)	(51%)
Diluted earnings per share	0.10	0.13	0.18	(0.03)	(0.08)

"We performed well during the third quarter of 2019, achieving record FPD revenue and delivering our eighth consecutive quarter of year-over-year revenue growth," said Peter Kirlin, chief executive officer. "FPD revenue growth was driven by continued strength in AMOLED display for mobile applications and ramping shipments from our new China facility. IC revenue grew sequentially due to improved demand from Asian foundries for mainstream nodes. Gross and operating margins improved sequentially as we were able to control costs despite China startup activity. Our cash balance grew during the quarter, demonstrating our ability to generate cash as we continue to invest in China. We are on pace to have an outstanding year in 2019 and positioned to perform even better in 2020 and beyond."

## **Fourth Quarter 2019 Guidance**

For the fourth quarter of 2019, Photronics expects revenue to be between \$143 million and \$151 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 Tuesday, August 20, 2019. The call can be accessed by logging onto Photronics' website at [www.photronics.com](http://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, 2018, the company had 1,575 employees across 11 strategically located manufacturing facilities in Asia, Europe, and North America. Additional information on the Company can be accessed at [www.photronics.com](http://www.photronics.com).

The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward-looking statements made by or on behalf of the company and its subsidiaries. The forward-looking statements contained in this press release involve risks and uncertainties that may affect the company’s operations, markets, products, services, prices, and other factors. These risks and uncertainties include, but are not limited to, economic, competitive, legal, governmental, political, and technological factors as well as decisions we may make in the future regarding our business, capital structure and other matters. These forward-looking statements generally can be identified by phrases such as “believes”, “expects”, “anticipates”, “plans”, “projects”, and similar expressions. There is no assurance that the company’s expectations will be realized. For additional information please see the company’s quarterly and annual reports filed with the Securities and Exchange Commission. The company assumes no obligation to provide revisions to any forward-looking statements.

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

	Three Months Ended			Nine Months Ended	
	July 28, 2019	April 28, 2019	July 29, 2018	July 28, 2019	July 29, 2018
Revenue	\$ 138,112	\$ 131,580	\$ 136,391	\$ 394,404	\$ 390,616
Cost of goods sold	107,542	105,570	100,794	311,721	294,538
Gross profit	30,570	26,010	35,597	82,683	96,078
Operating Expenses:					
Selling, general and administrative	13,124	13,269	12,504	40,186	37,891
Research and development	4,046	3,542	2,653	11,852	10,574
Total Operating Expenses	17,170	16,811	15,157	52,038	48,465
Operating income	13,400	9,199	20,440	30,645	47,613
Other income (expense), net	(348)	3,931	1,411	4,692	637
Income before income taxes	13,052	13,130	21,851	35,337	48,250
Income tax provision	3,218	3,278	2,054	7,883	3,783
Net income	9,834	9,852	19,797	27,454	44,467
Net income attributable to noncontrolling interests	3,487	1,373	6,792	7,361	14,899
Net income attributable to Photronics, Inc. shareholders	\$ 6,347	\$ 8,479	\$ 13,005	\$ 20,093	\$ 29,568
Earnings per share:					
Basic	\$ 0.10	\$ 0.13	\$ 0.19	\$ 0.30	\$ 0.43
Diluted	\$ 0.10	\$ 0.13	\$ 0.18	\$ 0.30	\$ 0.41
Weighted-average number of common shares outstanding:					
Basic	66,313	66,261	69,374	66,386	69,141
Diluted	66,570	70,597	75,258	69,919	75,121

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

	<b>July 28, 2019</b>	<b>October 31, 2018</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 197,243	\$ 329,277
Accounts receivable	134,369	120,515
Inventories	39,982	29,180
Other current assets	48,873	23,759
<b>Total current assets</b>	<b>420,467</b>	<b>502,731</b>
Property, plant and equipment, net	636,743	571,781
Intangible assets, net	9,013	12,368
Other assets	47,972	23,129
<b>Total assets</b>	<b>\$ 1,114,195</b>	<b>\$ 1,110,009</b>
<b>Liabilities and Equity</b>		
Current liabilities:		
Debt	\$ 6,100	\$ 57,453
Accounts payable and accrued liabilities	153,174	133,623
<b>Total current liabilities</b>	<b>159,274</b>	<b>191,076</b>
Long-term debt	43,015	-
Other liabilities	11,568	14,364
Photronics, Inc. shareholders' equity	763,394	759,671
Noncontrolling interests	136,944	144,898
<b>Total equity</b>	<b>900,338</b>	<b>904,569</b>
<b>Total liabilities and equity</b>	<b>\$ 1,114,195</b>	<b>\$ 1,110,009</b>

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

	Nine Months Ended	
	July 28, 2019	July 29, 2018
Cash flows from operating activities:		
Net income	\$ 27,454	\$ 44,467
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	60,387	64,485
Changes in operating assets, liabilities and other	(64,337)	(21,995)
Net cash provided by operating activities	23,504	86,957
Cash flows from investing activities:		
Purchases of property, plant and equipment	(160,149)	(64,372)
Government incentive	17,694	-
Other	(24)	313*
Net cash used in investing activities	(142,479)	(64,059)*
Cash flows from financing activities:		
Proceeds from debt	53,227	-
Contribution from noncontrolling interest	29,394	17,997
Repayments of debt	(61,319)	(4,170)
Dividends paid to noncontrolling interests	(26,102)	(8,166)
Purchase of treasury stock	(10,696)	(6,787)
Proceeds from share-based arrangements	1,314	4,028
Other	(92)	(274)
Net cash (used in) provided by financing activities	(14,274)	2,628
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	1,206	(975)*
Net (decrease) increase in cash, cash equivalents, and restricted cash	(132,043)	24,551*
Cash, cash equivalents, and restricted cash, beginning of period	331,989*	310,936*
Cash, cash equivalents, and restricted cash, end of period	\$ 199,946	\$ 335,487*

\* Amount has been modified to reflect the adoption of ASU 2016-18





# Photronics, Inc.

**Q3 2019 Financial Results Conference Call  
August 20, 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” 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.

## **Non-GAAP Financial Measures**

This presentation and some of our comments may reference non-GAAP financial measures. These non-GAAP financial measures exclude certain income or expense items, and are consistent with another way management internally analyzes our results of operations. Non-GAAP information should be considered to be a supplement to, and not a substitute for, financial statements prepared in accordance with GAAP. Please see the “Reconciliation of GAAP to Non-GAAP Financial Information” in this presentation.

# Q3 2019 Summary

- ▶ **Revenue up 5% Q/Q and 1% Y/Y**
  - Record FPD revenue driven by mobile AMOLED displays and increasing production from new Hefei, China facility
  - Sequential IC growth on Asia foundry demand for mainstream nodes
  - Record revenue of products shipped to China, representing 25% of total revenue
- ▶ **Net income attributable to Photronics, Inc. shareholders of \$6.3M (\$0.10/share)**
- ▶ **Cash balance grew to \$197M, strengthening the balance sheet as investments in China expansion continues**
- ▶ **Production ramping at both China facilities; total China production contributed ~\$6M to revenue**
- ▶ **On track for 2020 targets: \$630M revenue & \$0.80 EPS**

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

# Income Statement Summary

<b>\$M (except EPS)</b>	<b>Q319</b>	<b>Q219</b>	<b>Q/Q</b>	<b>Q318</b>	<b>Y/Y</b>
Revenue	\$ 138.1	\$ 131.6	5%	\$ 136.4	1%
Gross Profit	\$ 30.6	\$ 26.0	18%	\$ 35.6	(14%)
<i>Gross Margin</i>	22.1%	19.8%	230 bps	26.1%	(400 bps)
Operating Income	\$ 13.4	\$ 9.2	46%	\$ 20.4	(34%)
<i>Operating Margin</i>	9.7%	7.0%	270 bps	15.0%	(530 bps)
Other income (expense)	(\$ 0.3)	\$ 3.9	(\$ 4.3)	\$ 1.4	(\$ 1.8)
Income tax provision	\$ 3.2	\$ 3.3	(\$ 0.1)	\$ 2.1	\$ 1.2
Minority interest	\$ 3.5	\$ 1.4	\$ 2.1	\$ 6.8	(\$ 3.3)
Net Income*	\$ 6.3	\$ 8.5	(25%)	\$ 13.0	(51%)
Diluted EPS*	\$ 0.10	\$ 0.13	(\$ 0.03)	\$ 0.18	(\$ 0.08)
<i>Days in quarter</i>	91	91	-	91	-

- ▶ **Gross and operating margin improved Q/Q on favorable mix and cost controls, despite China startup activity**
- ▶ **China operations were \$6.0M negative impact to operating income**
- ▶ **Other income primarily attributable to FX gain (Q219, Q318)**
- ▶ **Minority interest reflects Taiwan JV gain partially offset by China JV loss**
- ▶ **Q318 income tax includes \$2M (\$0.01/share) one-time tax benefit**

\*Net income attributable to Photronics, Inc. shareholders

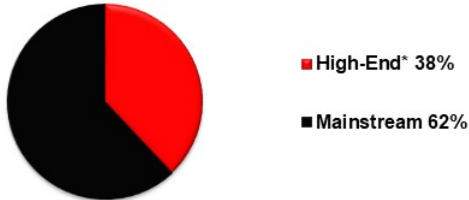


# IC Photomask Revenue

\$M	Q319	Q219	Q/Q	Q318	Y/Y
High-End*	\$ 38.5	\$ 38.4	0%	\$ 46.1	(17%)
Mainstream	\$ 61.7	\$ 60.2	3%	\$ 61.2	1%
Total	\$ 100.2	\$ 98.6	2%	\$ 107.2	(7%)

Total may differ due to rounding

Q319 Revenue by Technology



\*28nm and smaller

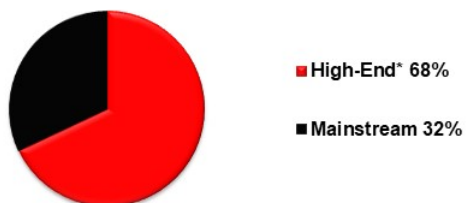
- ▶ **Revenue grew Q/Q on Asian foundry demand for mainstream nodes**
- ▶ **China revenue softened on macro concerns**
  - -19% Q/Q; -14% Y/Y
  - Represents 15% of Q319 IC revenue
- ▶ **Outlook**
  - Expect stable to improving high-end demand
  - Production ramping in Xiamen
  - Potential impact from US-China trade discussions

# FPD Photomask Revenue

\$M	Q319	Q219	Q/Q	Q318	Y/Y
High-End*	\$ 25.9	\$ 23.0	13%	\$ 17.1	52%
Mainstream	\$ 12.0	\$ 10.0	19%	\$ 12.1	(1%)
Total	\$ 37.9	\$ 33.0	15%	\$ 29.1	30%

Total may differ due to rounding

Q319 Revenue by Technology



\*≥G8 and AMOLED

- ▶ **Record FPD revenue driven by mobile AMOLED displays and China production ramp, including G10.5+**
- ▶ **China revenue**
  - +31% Q/Q; +61% Y/Y
  - Represents 53% of Q319 FPD revenue
- ▶ **Outlook**
  - AMOLED technology expected to remain in high demand
  - Hefei shipments should continue to ramp

# Select Financial Data

<b>\$M</b>	<b>Q319</b>	<b>Q219</b>	<b>Q318</b>
Cash	\$ 197	\$ 167	\$ 333
Debt	\$ 49	\$ 36	\$ 58
Net Cash*	\$ 148	\$ 131	\$ 275
Operating Cash Flow	\$ 26	\$ 17	\$ 49
Capital Expenditures	\$ 20	\$ 34	\$ 20
Share repurchase	-	-	\$ 7
LTM EBITDA	\$141	\$ 148	\$ 153

- ▶ **Deploying cash balance to fund China investments**
- ▶ **Debt is local China borrowing to finance fixed assets**
- ▶ **YTD capex \$160M; anticipate FY capex ~ \$185M**
- ▶ **Balance sheet able to fund planned investments, strategic M&A opportunities, and potential share repurchases**

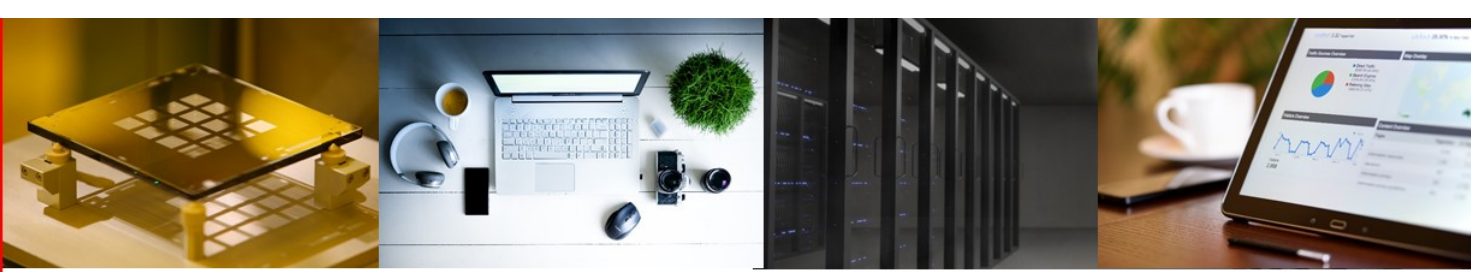
\*Net cash defined as cash and cash equivalents less long-term borrowings (including current portion), as reported in accordance with GAAP

# Q419 Guidance

Revenue (\$M)	\$143 - \$151
Taxes (\$M)	\$2 - \$3.5
EPS	\$0.11 - \$0.17
Diluted Shares (M)	~67

- ▶ Anticipate sequential growth in Q4
- ▶ High-end IC markets stable to improving
- ▶ FPD demand growing (AMOLED, G10.5+)
- ▶ Ramping China production (IC & FPD)
- ▶ Potential macro headwind & impact from trade policy



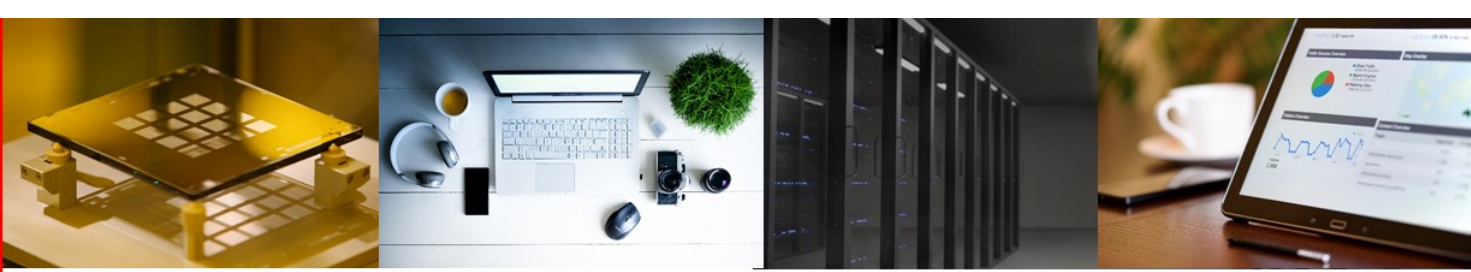


**Thank you for your interest!**

**For Additional Information:**

**R. Troy Dewar, CFA**  
**Vice President, Investor Relations**  
**203.740.5610**  
[tdewar@photonics.com](mailto:tdewar@photonics.com)

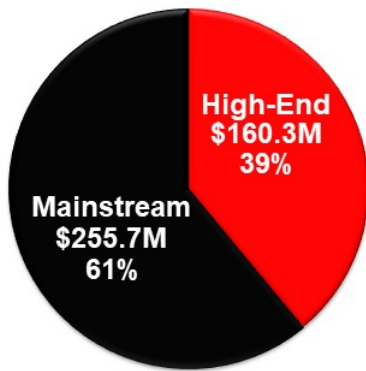




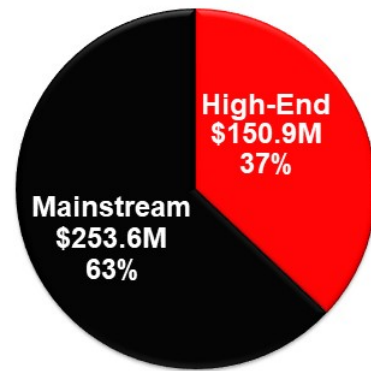
# Appendix

# IC Photomask Revenue

2018: \$416.1M



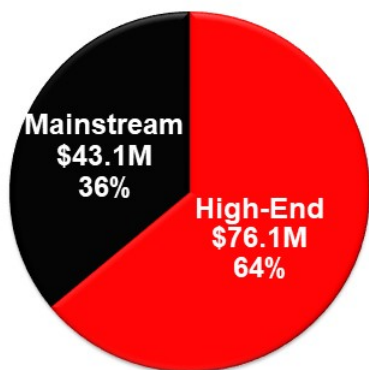
Q319 LTM: \$404.5M



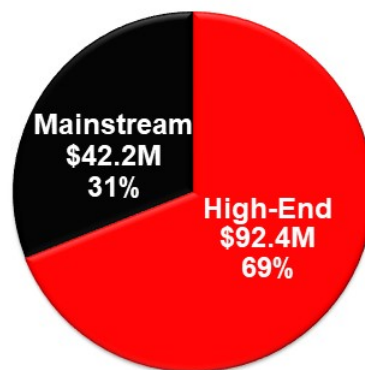
High-End: 28nm and smaller; total may differ due to rounding

# FPD Photomask Revenue

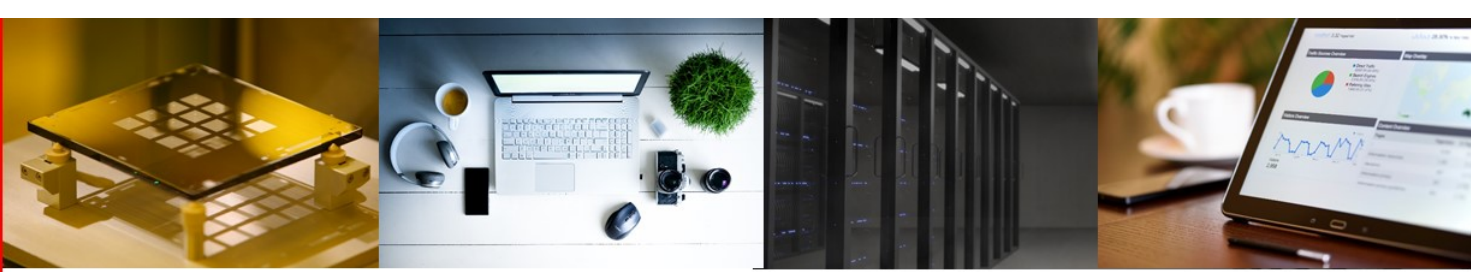
2018: \$119.2M



Q319 LTM: \$134.5M



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



## Non-GAAP Reconciliation

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

	Three Months Ended							
	July 28, 2019	April 28, 2019	January 27, 2019	October 31, 2018	July 29, 2018	April 29, 2018	January 28, 2018	October 29, 2017
<b>Reconciliation of GAAP Net Income to Non-GAAP Adjusted EBITDA</b>								
GAAP Net Income	\$ 9,834	\$ 9,852	\$ 7,768	\$ 16,769	\$ 19,797	\$ 15,189	\$ 9,481	\$ 10,496
Interest expense	377	355	531	580	557	551	574	578
Income tax expense	3,217	3,278	1,387	3,552	2,054	3,508	(1,778)	2,462
Depreciation and amortization	21,872	19,734	18,781	19,848	20,056	22,066	22,363	22,492
Other items (a)	909	900	1,062	755	784	163	884	785
Non-GAAP Adjusted EBITDA	<u>\$ 36,209</u>	<u>\$ 34,119</u>	<u>\$ 29,529</u>	<u>\$ 41,504</u>	<u>\$ 43,248</u>	<u>\$ 41,477</u>	<u>\$ 31,524</u>	<u>\$ 36,813</u>
Non-GAAP Adjusted L-T-M EBITDA (b)	\$ 141,361	\$ 148,400	\$ 155,758	\$ 157,753	\$ 153,062			

Notes:

(a) Consists of stock compensation expense for all periods and gain on sale of certain assets in Q2 2018.

(b) Consists of the addition of the current quarter and the preceding 3 quarters.