

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 22, 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 May 22, 2019, the Corporation issued a press release reporting second 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 May 22, 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 April 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 May 22, 2019.
 - [99.2](#) Condensed Consolidated Statements of Income.
 - [99.3](#) Condensed Consolidated Balance Sheets.
 - [99.4](#) Condensed Consolidated Statements of Cash Flows.
 - [99.5](#) Photronics Q2 2019 Financial Results Conference Call May 22, 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: May 22, 2019

**For Further Information:**

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

Press Release

Photronics Reports Second Quarter Fiscal 2019 Results

- Second quarter 2019 revenue was \$131.6 million, up 6% sequentially and 1% year-over-year
- Net income attributable to Photronics, Inc. shareholders was \$8.5 million, or \$0.13 per diluted share
- Cash balance was \$167.1 million, with capital expenditures of \$33.5 million primarily to fund China investments
- Repaid \$57.5 million convertible security, reducing total debt and eliminating 5.5 million potentially dilutive shares
- Celebrated grand opening of new Xiamen and Hefei facilities in China
- Shipped first G10.5+ photomask, marking entry into new, growing market
- Third quarter 2019 guidance: revenue between \$132 and \$142 million with diluted EPS between \$0.05 and \$0.14

BROOKFIELD, Conn. May 22, 2019 (GLOBE NEWSWIRE) — Photronics, Inc. (NASDAQ:PLAB), a worldwide leader in photomask technologies and solutions, today reported financial results for its fiscal 2019 second quarter ended April 28, 2019.

Second quarter revenue was \$131.6 million, 6% better than the previous quarter and 1% better than the same quarter last year. Integrated circuit (IC) revenue was \$98.6 million, up 4% sequentially and down 4% compared with the second quarter of last year. Flat panel display (FPD) revenue was \$33.0 million, up 11% compared with last quarter and 16% compared with the same period last year.

Net income attributable to Photronics, Inc. shareholders was \$8.5 million (\$0.13 per diluted share), compared with \$5.3 million (\$0.08 per diluted share) for the first quarter of 2019 and \$10.7 million (\$0.15 per diluted share) for the second quarter of 2018.

"We performed well in the second quarter despite a challenging industry environment, delivering sequential growth in IC and strong sequential and year-over-year growth in FPD," said Peter Kirlin, chief executive officer. "The double-digit FPD growth resulted from a strong market for masks for mobile displays, including AMOLED and LTPS LCD, with a contribution from our first shipment of a G10.5+ photomask. In IC, we achieved sequential growth with the anticipated recovery in high-end memory. Startup activity in China impacted operating profit, resulting in operating margin of 7.0%. Cash at the end of the quarter was \$167.1 million after repayment of \$57.5 million in convertible debt, which eliminated 5.5 million potentially dilutive shares, and \$33.5 million in capital expenditures, primarily in China. Besides solid financial results, we celebrated the grand opening of our new Xiamen and Hefei facilities in China. We are excited to serve our customers in mainland China with locally produced reticles. With these milestones, we are on track to meet our 2020 targets of \$630 million revenue and \$0.80 earnings per share."

Third Quarter 2019 Guidance

For the third quarter of 2019, Photronics expects revenue to be between \$132 million and \$142 million, and net income attributable to Photronics, Inc. shareholders to be between \$0.05 and \$0.14 per diluted share.

Conference Call

A conference call to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, May 22, 2019. The call can be accessed by logging onto Photronics' website at www.photronics.com. The live dial-in number is (877) 377-7095 or (408) 774-4601 outside of the United States and Canada. The call will be archived on Photronics' website for instant replay access.

About Photronics

Photronics is a leading worldwide manufacturer of integrated circuit (IC) and flat panel display (FPD) photomasks. High precision quartz plates that contain microscopic images of electronic circuits, photomasks are a key element in the IC and FPD manufacturing process. Founded in 1969, Photronics has been a trusted photomask supplier for 50 years. As of October 31, 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.

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.

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

	Three Months Ended			Six Months Ended	
	April 28, 2019	January 27, 2019	April 29, 2018	April 28, 2019	April 29, 2018
Revenue	\$ 131,580	\$ 124,712	\$ 130,779	\$ 256,291	\$ 254,225
Cost of goods sold	105,570	98,610	97,960	204,179	193,744
Gross profit	26,010	26,102	32,819	52,112	60,481
Operating Expenses:					
Selling, general and administrative	13,269	13,792	13,637	27,061	25,387
Research and development	3,542	4,263	3,817	7,805	7,921
Total Operating Expenses	16,811	18,055	17,454	34,866	33,308
Operating income	9,199	8,047	15,365	17,246	27,173
Other income (expense), net	3,931	1,108	3,332	5,039	(774)
Income before income taxes	13,130	9,155	18,697	22,285	26,399
Income tax provision	3,278	1,387	3,508	4,665	1,729
Net income	9,852	7,768	15,189	17,620	24,670
Net income attributable to noncontrolling interests	1,373	2,501	4,524	3,874	8,107
Net income attributable to Photronics, Inc. shareholders	\$ 8,479	\$ 5,267	\$ 10,665	\$ 13,746	\$ 16,563
Earnings per share:					
Basic	\$ 0.13	\$ 0.08	\$ 0.15	\$ 0.21	\$ 0.24
Diluted	\$ 0.13	\$ 0.08	\$ 0.15	\$ 0.20	\$ 0.23
Weighted-average number of common shares outstanding:					
Basic	66,261	66,583	69,293	66,422	69,024
Diluted	70,597	67,047	75,190	71,593	75,052

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

	April 28, 2019	October 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 167,066	\$ 329,277
Accounts receivable	123,371	120,515
Inventories	34,696	29,180
Other current assets	76,555	23,759
Total current assets	401,688	502,731
Property, plant and equipment, net	654,357	571,781
Intangible assets, net	10,182	12,368
Other assets	19,011	23,129
Total assets	\$ 1,085,238	\$ 1,110,009
Liabilities and Equity		
Current liabilities:		
Current portion of long-term debt	\$ 505	\$ 57,453
Accounts payable and accrued liabilities	138,779	133,623
Total current liabilities	139,284	191,076
Long-term debt	35,921	-
Other liabilities	11,705	14,364
Photronics, Inc. shareholders' equity	763,568	759,671
Noncontrolling interests	134,760	144,898
Total equity	898,328	904,569
Total liabilities and equity	\$ 1,085,238	\$ 1,110,009

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

	Six Months Ended	
	April 28, 2019	April 29, 2018
Cash flows from operating activities:		
Net income	\$ 17,620	\$ 24,670
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	38,515	44,429
Changes in operating assets, liabilities and other	(58,422)	(31,191)
Net cash (used in) provided by operating activities	(2,287)	37,908
Cash flows from investing activities:		
Purchases of property, plant and equipment	(140,436)	(44,129)
Government incentive	5,698	-
Other	(23)	296*
Net cash used in investing activities	(134,761)	(43,833)*
Cash flows from financing activities:		
Proceeds from debt	39,633	-
Contribution from noncontrolling interest	29,394	11,998
Repayments of debt	(61,220)	(2,771)
Dividends paid to noncontrolling interests	(26,102)	-
Purchase of treasury stock	(10,696)	-
Proceeds from share-based arrangements	1,033	3,776
Other	(45)	(267)
Net cash (used in) provided by financing activities	(28,003)	12,736
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	2,843	6,330*
Net (decrease) increase in cash, cash equivalents, and restricted cash	(162,208)	13,141*
Cash, cash equivalents, and restricted cash, beginning of period	331,989*	310,936*
Cash, cash equivalents, and restricted cash, end of period	\$ 169,781	\$ 324,077*

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



Photronics, Inc.

Q2 2019 Financial Results Conference Call
May 22, 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.

Q2 2019 Summary

- ▶ **Revenue up 6% Q/Q and 1% Y/Y**
 - Sequential IC growth on high-end memory recovery
 - FPD growth driven by mobile display (AMOLED and LTPS LCD)
 - Record revenue to China, representing 26% of total revenue
- ▶ **Net income attributable to Photronics, Inc. shareholders of \$8.5M (\$0.13/share)**
- ▶ **Capex of \$34M (\$140M YTD) to support China investments**
- ▶ **Repaid \$57.5M convertible debt; eliminated 5.5M potentially dilutive shares**
- ▶ **China grand opening ceremonies were held week of April 22**
 - Hefei shipped first G10.5+ mask in Q2; working to quickly complete customer qualifications
 - Completing tool fine-tuning in Xiamen; qualifications to begin soon
- ▶ **On track for 2020 targets: \$630M revenue & \$0.80 EPS**

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



Income Statement Summary

\$M (except EPS)	Q219	Q119	Q/Q	Q218	Y/Y
Revenue	\$ 131.6	\$ 124.7	6%	\$ 130.8	1%
Gross Profit	\$ 26.0	\$ 26.1	—	\$ 32.8	(21%)
Gross Margin	19.8%	20.9%	(110 bps)	25.1%	(530 bps)
Operating Income	\$ 9.2	\$ 8.0	14%	\$ 15.4	(40%)
Operating Margin	7.0%	6.5%	50 bps	11.7%	(470 bps)
Other income	\$ 3.9	\$ 1.1	\$ 2.8	\$ 3.3	\$ 0.6
Income tax	\$ 3.3	\$ 1.4	\$ 1.9	\$ 3.5	(\$ 0.2)
Minority interest	\$ 1.4	\$ 2.5	(\$ 1.1)	\$ 4.5	(\$ 3.2)
Net Income*	\$ 8.5	\$ 5.3	61%	\$ 10.7	(20%)
Diluted EPS*	\$ 0.13	\$ 0.08	\$ 0.05	\$ 0.15	(\$ 0.02)
Days in quarter	91	88	3	91	-

- ▶ **Gross margin lower on China startup**
- ▶ **Operating expense down due primarily to completion of certain IC qualification activity**
- ▶ **China startup activity was \$4.1M negative impact to operating income**
- ▶ **Other income primarily attributable to FX gain**
- ▶ **Minority interest reflects Taiwan gain partially offset by China loss**

*Net income attributable to Photronics, Inc. shareholders



IC Photomask Revenue

\$M	Q219	Q119	Q/Q	Q218	Y/Y
High-End*	\$ 38.4	\$ 34.6	11%	\$ 41.5	(7%)
Mainstream	\$ 60.2	\$ 60.3	—	\$ 60.8	(1%)
Total	\$ 98.6	\$ 94.9	4%	\$ 102.3	(4%)

Total may differ due to rounding

Q219 Revenue by Technology



*28nm and smaller

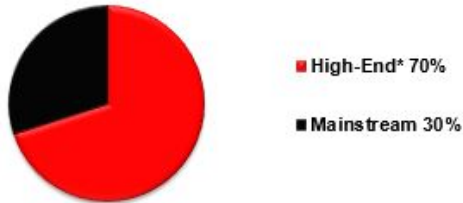
- ▶ Revenue grew Q/Q on high-end memory recovery
- ▶ China revenue +21% Q/Q; +68% Y/Y
 - Represents 18% of Q219 IC revenue
 - New long-term purchase agreement increases sustainability of China business
- ▶ Outlook
 - Expect stable to improving high-end demand
 - Initial shipments planned from Xiamen

FPD Photomask Revenue

SM	Q219	Q119	Q/Q	Q218	Y/Y
High-End*	\$ 23.0	\$ 21.5	7%	\$ 18.2	26%
Mainstream	\$ 10.0	\$ 8.4	20%	\$ 10.3	(2%)
Total	\$ 33.0	\$ 29.8	11%	\$ 28.5	16%

Total may differ due to rounding

Q219 Revenue by Technology



*zG8 and AMOLED

- ▶ **High-end driven by growth in AMOLED for mobile displays**
- ▶ **Demand for mobile LTPS LCD displays remains strong; drives Q/Q mainstream growth**
- ▶ **China revenue +20% Q/Q; +58% Y/Y**
 - Represents 47% of Q219 FPD revenue
 - Shipped first G10.5+ plate from Hefei
- ▶ **Outlook**
 - AMOLED technology remains in high demand
 - Plan to increase Hefei shipments

Select Financial Data

\$M	Q219	Q119	Q218
Cash	\$ 167	\$ 232	\$ 321
Debt	\$ 36	\$ 86	\$ 59
Net Cash*	\$ 131	\$ 146	\$ 262
Operating Cash Flow	\$ 17	(\$ 19)	\$ 7
Capital Expenditures	\$ 34	\$ 107	\$ 33
Share repurchase	-	\$ 11	-
LTM EBITDA	\$ 148	\$ 156	\$ 138

- ▶ **Deploying cash balance to fund China investments**
- ▶ **YTD capex \$140M; still anticipate FY capex ~ \$210M**
- ▶ **Reduced debt and dilutive share count with repayment of \$57.5M convertible; remaining debt is local China borrowing**
- ▶ **Balance sheet able to fund planned investments, strategic M&A opportunities, and potential share repurchases**

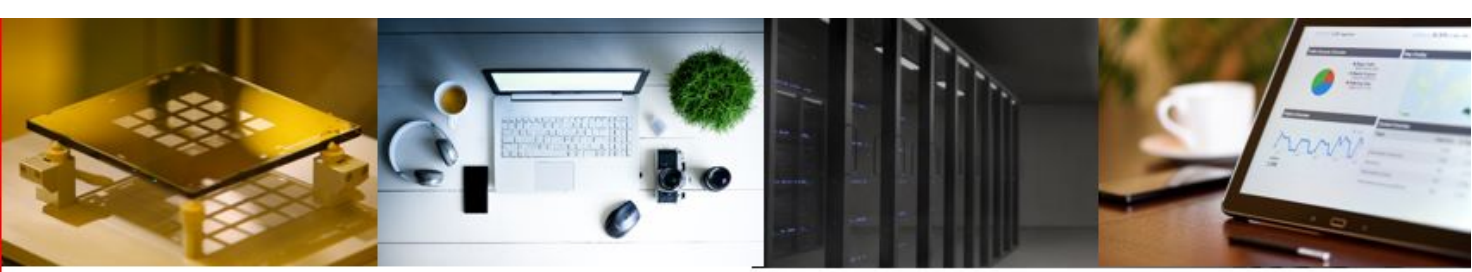
*Net cash defined as cash and cash equivalents less long-term borrowings (including current portion), as reported in accordance with GAAP



Q319 Guidance

Revenue (\$M)	\$132 - \$142
Taxes (\$M)	\$2 - \$3
EPS	\$0.05 - \$0.14
Diluted Shares (M)	~66

- ▶ **Anticipate sequential growth in Q3**
 - High-end IC markets stable to improving
 - Legacy FPD expected to remain at capacity with Hefei ramping production
 - Potential macro headwind & impact from trade policy
- ▶ **Expect margin headwinds from China startup**
 - Anticipate Q319 EPS impact of \$0.03 - \$0.06
 - Plan to be profitable in China by end of 2019

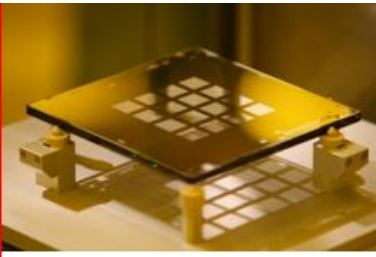


Thank you for your interest!

For Additional Information:

R. Troy Dewar, CFA
Vice President, Investor Relations
203.740.5610
tdewar@photonics.com

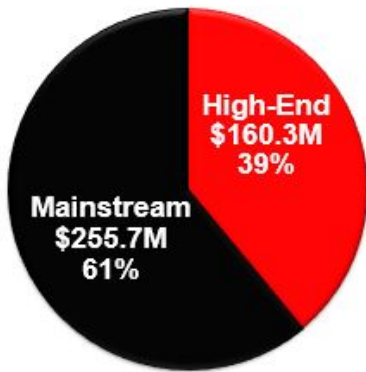




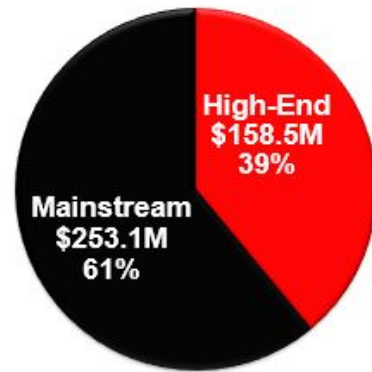
Appendix

IC Photomask Revenue

2018: \$416.1M

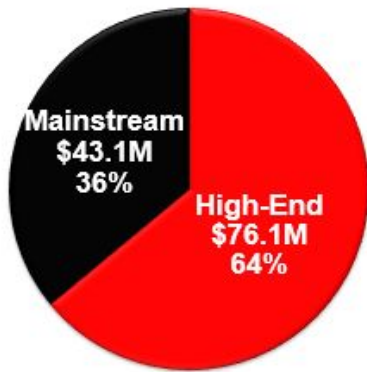


Q219 LTM: \$411.6M

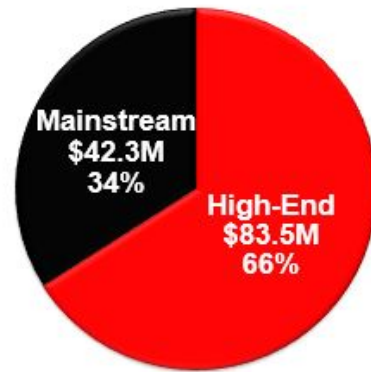


FPD Photomask Revenue

2018: \$119.2M

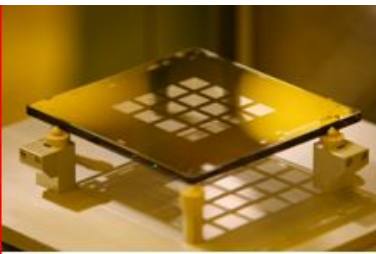


Q219 LTM: \$125.7M



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							
	April 28, 2019	January 27, 2019	October 31, 2018	July 29, 2018	April 29, 2018	January 28, 2018	October 29, 2017	July 30, 2017
Reconciliation of GAAP Net Income to Non-GAAP Adjusted EBITDA								
GAAP Net Income	\$ 9,852	\$ 7,768	\$ 16,769	\$ 19,797	\$ 15,189	\$ 9,481	\$ 10,496	\$ 4,799
Interest expense	355	531	580	557	551	574	578	550
Income tax expense	3,278	1,387	3,552	2,054	3,508	(1,778)	2,462	333
Depreciation and amortization	19,734	18,781	19,848	20,056	22,066	22,363	22,492	21,840
Other items (a)	900	1,062	755	784	163	884	785	984
Non-GAAP Adjusted EBITDA	<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>	<u>\$ 28,506</u>
Non-GAAP Adjusted L-T-M EBITDA (b)	\$ 148,400	\$ 155,758	\$ 157,753	\$ 153,062	\$ 138,320			

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.