

PHOTRONICS INC  
Form 10-Q  
June 04, 2015

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 3, 2015

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_ to \_\_\_

Commission file number 0-15451

PHOTRONICS, INC.  
(Exact name of registrant as specified in its charter)

Connecticut 06-0854886  
(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

15 Secor Road, Brookfield, Connecticut 06804  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (203) 775-9000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter periods that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes    No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at May 29, 2015
Common Stock, \$0.01 par value	66,668,408 Shares



## Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements made by or on behalf of Photronics, Inc. ("Photronics" or "the Company" or "we"). These statements are based on management's beliefs, as well as assumptions made by, and information currently available to, management. Forward-looking statements may be identified by words like "expect," "anticipate," "believe," "plan," "projects," "could," "estimate," "intend," "may," "will" and similar expressions, or the negative of such terms, or other comparable terminology. All forward-looking statements involve risks and uncertainties that are difficult to predict. In particular, any statement contained in this quarterly report on Form 10-Q or in other documents filed with the Securities and Exchange Commission, in press releases or in the Company's communications and discussions with investors and analysts in the normal course of business through meetings, phone calls, or conference calls regarding, among other things, the consummation and benefits of joint venture transactions, divestitures and acquisitions, expectations with respect to future sales, financial performance, operating efficiencies, or product expansion, are subject to known and unknown risks, uncertainties, and contingencies, many of which are beyond the control of the Company. Various factors may cause actual results, performance, or achievements to differ materially from anticipated results, performance, or achievements expressed or implied by forward-looking statements. Factors that might affect forward-looking statements include, but are not limited to, overall economic and business conditions; adverse changes in legal or regulatory requirements; economic and political conditions in international markets; the demand for the Company's products; competitive factors in the industries and geographic markets in which the Company competes; federal, state and international tax requirements (including tax rate changes, new tax laws and revised tax law interpretations); interest rate and other capital market conditions, including changes in the market price of the Company's securities; foreign currency exchange rate fluctuations; changes in technology; the timing, impact, and other uncertainties relating to transactions and acquisitions, divestitures and joint ventures as well as decisions the Company may make in the future regarding the Company's business, capital and organizational structure and other matters; the seasonal and cyclical nature of the semiconductor and flat panel display industries; management changes; damage or destruction to the Company's facilities, or the facilities of its customers or suppliers, by natural disasters, labor strikes, political unrest, or terrorist activity; the ability of the Company to (i) place new equipment in service on a timely basis; (ii) obtain additional financing; (iii) achieve anticipated synergies and cost savings; (iv) fully utilize its tools; (v) achieve desired yields, pricing, product mix, and market acceptance of its products and (vi) obtain necessary export licenses. Any forward-looking statements should be considered in light of these factors. Accordingly, there is no assurance that the Company's expectations will be realized. The Company does not assume responsibility for the accuracy and completeness of the forward-looking statements and does not assume an obligation to provide revisions to any forward-looking statements, except as otherwise required by securities and other applicable laws.

PHOTRONICS, INC.  
AND SUBSIDIARIES

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## PART I. FINANCIAL INFORMATION

## Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## PHOTRONICS, INC. AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

(in thousands, except per share amounts)

(unaudited)

	May 3, 2015	November 2, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 176,050	\$ 192,929
Accounts receivable, net of allowance of \$3,419 in 2015 and \$3,078 in 2014	97,634	94,515
Inventories	23,233	22,478
Other current assets	24,705	26,570
Total current assets	321,622	336,492
Property, plant and equipment, net	602,982	550,069
Investment in joint venture	93,059	93,122
Intangible assets, net	27,883	30,294
Deferred income taxes	11,520	11,036
Other assets	6,128	8,170
Total assets	\$ 1,063,194	\$ 1,029,183
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Current portion of long-term borrowings	\$ 17,651	\$ 10,381
Accounts payable	119,624	86,495
Accrued liabilities	32,971	42,241
Total current liabilities	170,246	139,117
Long-term borrowings	119,784	131,805
Other liabilities	19,181	18,767
Total liabilities	309,211	289,689
Commitments and contingencies		
Equity:		
Preferred stock, \$0.01 par value, 2,000 shares authorized, none issued and outstanding	-	-
	663	659

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Common stock, \$0.01 par value, 150,000 shares authorized, 66,298 shares issued and outstanding at May 3, 2015 and 65,930 shares issued and outstanding at November 2, 2014		
Additional paid-in capital	522,873	520,182
Retained earnings	99,332	85,435
Accumulated other comprehensive income	14,838	21,774
Total Photronics, Inc. shareholders' equity	637,706	628,050
Noncontrolling interests	116,277	111,444
Total equity	753,983	739,494
Total liabilities and equity	\$1,063,194	\$1,029,183

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	May 3, 2015	May 4, 2014	May 3, 2015	May 4, 2014
Net sales	\$ 127,309	\$ 104,882	\$ 250,814	\$ 206,424
Costs and expenses:				
Cost of sales	(94,214 )	(82,692 )	(189,535 )	(161,352 )
Selling, general and administrative	(12,421 )	(13,419 )	(24,365 )	(25,697 )
Research and development	(5,809 )	(5,939 )	(10,490 )	(10,913 )
Operating income	14,865	2,832	26,424	8,462
Other income (expense):				