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PHOTRONICS INC

FORM 8-K
(Current report filing)

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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 16, 2011**

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

Connecticut	**0-15451**	**06-0854886**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)

15 Secor Road, Brookfield, CT	**06804**
(Address of Principal Executive Offices)	(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))

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

On August 16, 2011, the Company issued a press release reporting third quarter fiscal 2011 results. A copy of the press release is attached to this 8-K.

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, 99.5 and 99.6 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 17, 2011, the Company will conduct a conference call during which certain unaudited, non-GAAP EBITDA financial information related to the Company's operations for the three months ended July 31, 2011 will be disclosed. This information is set forth in Exhibit 99.6.

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.

Item 9.01 . Financial Statements and Exhibits

(d) Exhibits

99.1	Press Release dated August 16, 2011
99.2	Condensed Consolidated Statements of Income
99.3	Condensed Consolidated Balance Sheets
99.4	Condensed Consolidated Statements of Cash Flows
99.5	Reconciliation of GAAP to Non-GAAP Financial Information
99.6	Reconciliation of GAAP Net Income to EBITDA

SIGNATURES

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)

DATE: August 17, 2011

BY **/s/ *Richelle E. Burr***

Richelle E. Burr

Vice President, General Counsel

FOR FURTHER INFORMATION:
Sean T. Smith
Senior Vice President
Chief Financial Officer
(203) 775-9000
ssmith@photronics.com

Press Release

PHOTRONICS REPORTS RECORD REVENUES
IN THIRD QUARTER OF FISCAL 2011

Third Quarter Highlights:

- Record sales of $135.9 million; exceeds guidance of $128 - $133 million
- High-end IC photomask sales increase 24% sequentially
- Record non-GAAP net income of $16 million
- Non-GAAP EPS of $0.23; exceeds guidance of $0.17 - $0.21 per diluted share
- GAAP net income increases to $11.3 million, or $0.16 per diluted share
- Operating margin improves 90 bps sequentially
- Balance Sheet continues to strengthen

BROOKFIELD, Connecticut August 16, 2011 -- Photronics, Inc. (NASDAQ:PLAB), a worldwide leader in supplying innovative imaging technology solutions for the global electronics industry, today reported results for the third quarter ended July 31, 2011.

Constantine ("Deno") Macricostas, Photronics' chairman and chief executive officer, commented: "We exceeded our guidance range and reported record revenue of $135.9 million, while also achieving a new quarterly sales record for IC photomasks. Demonstrating the success of our high-end strategy, advanced IC sales grew 24% sequentially to $34.9 million."

"We also continued to perform exceptionally well on the bottom-line, demonstrating the excellent leverage in our business model," said Macricostas. "We increased operating margin by 90 basis points sequentially to 16.8%, achieved record non-GAAP net income of $16 million, or $0.23 per diluted share, exceeding our guidance range. We also continued to strengthen our balance sheet, improve working capital and increase net cash. The continued improvement in our balance sheet gives us the flexibility to execute on our strategic growth initiatives. Looking forward, we are encouraged by our prospects for growth and plan to make continued investments to gain further high-end market share."

Sales for the third quarter were $135.9 million, compared with the guided range of $128 million to $133 million. This is a 21% increase from $112.3 million in revenue reported for the third quarter of fiscal year 2010. Sales of semiconductor photomasks were $104.9 million, or 77% of revenues, during the third quarter of fiscal 2011, and sales of flat panel display (FPD) photomasks were $31 million, or 23% of revenues. GAAP net income attributable to Photronics, Inc. for the third quarter of fiscal year 2011 was $11.3 million, or $0.16 per diluted share, which includes an extinguishment of debt loss of $5.0 million, compared to net income attributable to Photronics, Inc. of $7.7 million, or $0.13 per diluted share, for the third quarter of fiscal 2010.

Non-GAAP net income attributable to Photronics, Inc. for the third quarter of 2011, which excludes the extinguishment debt loss of $5.0 million, was $16 million, or $0.23 earnings per diluted share, as compared to the previously guided range of $0.17 to $0.21. This is an increase of 119% from non-GAAP net income attributable to Photronics, Inc. of $7.3 million, or $0.13 earnings per diluted share, for the third quarter of 2010. The section below entitled " *Non-GAAP Financial Measures* " provides a definition and information about the use of non-GAAP financial measures in this press release, and the attached financial supplement reconciles non-GAAP financial information with Photronics, Inc.'s financial results under GAAP.

Sales for the first nine months of 2011 rose 24% to $389.9 million from $315.5 million for the first nine months of fiscal 2010. Sales of semiconductor photomasks were $294.7 million, or 76% of revenues, for the first nine months of 2011, and sales of FPD photomasks were $95.2 million, or 24% of revenues. GAAP net income attributable to Photronics, Inc. for the first nine months of fiscal 2011 was $6.9 million, or $0.12 per diluted share, compared with net income of $15.8 million, or $0.29 per diluted share, for the first nine months of 2010. Non-GAAP net income attributable to Photronics, Inc. for the first nine months of fiscal 2011, which excludes the $35.5 million loss on extinguishment was $43.0 million, or $0.66 per diluted share, compared with non-GAAP net income attributable to Photronics, Inc. for the first nine months of fiscal 2010 of $12.7 million, or $0.23 per diluted share. Non-GAAP net income for the first nine months of 2010 excluded a $4.8 million gain related to consolidation and restructuring credits.

Non-GAAP Financial Measures

Non-GAAP net income attributable to Photronics, Inc. and non-GAAP earnings per share are "non-GAAP financial measures," as such term is defined by the Securities and Exchange Commission, and may differ from non-GAAP financial measures used by other companies. Photronics, Inc. believes that non-GAAP net income attributable to Photronics, Inc. and non-GAAP earnings per share that exclude certain non-cash or non-recurring income or expense items are useful for analysts and investors to evaluate Photronics, Inc.'s future on-going performance because they enable a more meaningful comparison of Photronics, Inc.'s projected earnings and performance with its historical results of prior periods. These non-GAAP metrics, in particular non-GAAP net income attributable to Photronics, Inc. and non-GAAP earnings per share are not intended to represent funds available for Photronics, Inc.'s discretionary use and are not intended to represent, or be used as a substitute for, operating income, net income or cash flows from operations data as measured under GAAP. The items excluded from these non-GAAP metrics, but included in the calculation of their closest GAAP equivalent, are significant components of the consolidated statements of operations and must be considered in performing a comprehensive assessment of overall financial performance. Non-GAAP financial information is adjusted for the following items:

- Loss on extinguishment of debt is excluded because it is not a part of ongoing operations and was not anticipated when establishing forecast guidance for the third quarter of fiscal 2011.
- Consolidation and restructuring credits in fiscal 2010 are excluded because they are not a part of ongoing operations.
- Impact of financing expenses related to warrants is excluded because it does not affect cash earnings.
- Deferred financing fees written-off in fiscal 2010 are excluded because they are not a part of ongoing operations.

The presentation of this financial information should not be considered in isolation or as a substitute for the financial information prepared and presented in accordance with accounting principles generally accepted in the United States. The attached financial supplement reconciles non-GAAP financial information with Photronics, Inc.'s financial results under GAAP.

A conference call with investors and the media to discuss these results is scheduled for 8:30 a.m. Eastern time on Wednesday, August 17, 2011. The live dial-in number is (408) 774-4601. The call can also be accessed by logging onto Photronics' web site at www.photronics.com .

# # #

Photronics is a leading worldwide manufacturer of photomasks . Photomasks are high precision quartz plates that contain microscopic images of electronic circuits. A key element in the manufacture of semiconductors and flat panel displays, photomasks are used to transfer circuit patterns onto semiconductor wafers and flat panel substrates during the fabrication of integrated circuits, a variety of flat panel displays and, to a lesser extent, other types of electrical and optical components. They are produced in accordance with product designs provided by customers at 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 Photronics, Inc. and its subsidiaries (the Company). The forward-looking statements contained in this press release and other parts of Photronics' web site 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, and technological factors. Accordingly, there is no assurance that the Company's expectations will be realized. For a fuller discussion of the factors that may affect the Company's operations, see "Forward Looking Statements" in the Company's Quarterly and Annual Reports to the Securities and Exchange Commission on Forms 10-Q and 10-K. The Company assumes no obligation to provide revisions to any forward-looking statements.

15-2011

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

	Three Months Ended		Nine Months Ended	
	July 31, 2011	August 1, 2010	July 31, 2011	August 1, 2010
Net sales	$ 135,935	$ 112,251	$ 389,861	$ 315,518
Costs and expenses:				
Cost of sales	(97,695)	(85,979)	(284,540)	(248,979)
Selling, general and administrative	(11,833)	(11,068)	(33,995)	(32,086)
Research and development	(3,527)	(3,427)	(11,238)	(10,983)
Consolidation, restructuring and related (charges) credits	-	(26)	-	4,810
Operating income	22,880	11,751	60,088	28,280
Debt extinguishment loss	(4,973)	-	(35,259)	-
Other income (expense), net	(390)	(1,234)	(2,019)	(5,870)
Income before income taxes	17,517	10,517	22,810	22,410
Income tax provision	(4,895)	(2,910)	(11,637)	(5,790)
Net income	12,622	7,607	11,173	16,620
Net (income) loss attributable to noncontrolling interests	(1,357)	84	(4,235)	(842)
Net income attributable to Photronics, Inc.	$ 11,265	$ 7,691	$ 6,938	$ 15,778
Earnings per share:				
Basic	$ 0.19	$ 0.14	$ 0.12	$ 0.30
Diluted	$ 0.16	$ 0.13	$ 0.12	$ 0.29
Weighted average number of common shares outstanding:				
Basic	58,987	53,516	56,163	53,341
Diluted	76,744	66,280	57,724	65,689

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

	July 31, 2011	October 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 202,845	$ 98,945
Accounts receivable	97,654	82,951
Inventories	30,873	15,502
Other current assets	10,191	8,404
Total current assets	341,563	205,802
Property, plant and equipment, net	397,703	369,814
Investment in joint venture	72,504	61,127
Intangible assets, net	43,660	47,748
Other assets	21,494	19,388
	$ 876,924	$ 703,879
Liabilities and Equity		
Current liabilities:		
Current portion of long-term borrowings	$ 5,538	$ 11,467
Accounts payable and accrued liabilities	132,619	107,762
Total current liabilities	138,157	119,229
Long-term borrowings	153,527	78,852
Deferred income taxes and other liabilities	9,161	9,855
Equity	576,079	495,943
	$ 876,924	$ 703,879

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

	Nine Months Ended	
	July 31, 2011	August 1, 2010
Cash flows from operating activities:		
Net income	$ 11,173	$ 16,620
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	70,090	67,786
Debt extinguishment loss	27,399	-
Consolidation, restructuring and related credits	-	(5,059)
Changes in assets and liabilities and other	(4,211)	(5,170)
Net cash provided by operating activities	104,451	74,177
Cash flows from investing activities:		
Purchases of property, plant and equipment	(59,089)	(38,040)
Investment in joint venture	(10,773)	-
Proceeds from sale of facility	-	12,880
Other	(250)	288
Net cash used in investing activities	(70,112)	(24,872)
Cash flows from financing activities:		
Proceeds from issuance of convertible debt	115,000	-
Proceeds from long-term borrowings	17,000	28,680
Repayments of long-term borrowings	(63,445)	(62,288)
Payments of deferred financing fees	(4,318)	(1,225)
Repurchase of common stock by subsidiary	(3,294)	-
Proceeds from exercise of share based arrangements	694	75
Net cash provided by (used in) financing activities	61,637	(34,758)
Effect of exchange rate changes on cash	7,924	941
Net increase in cash and cash equivalents	103,900	15,488
Cash and cash equivalents, beginning of period	98,945	88,539
Cash and cash equivalents, end of period	$ 202,845	$ 104,027
Supplemental disclosure of cash flow information:		
Capital lease obligation for purchase of equipment	$ 21,248	$ -
Common stock issued to extinguish debt	$ 20,234	$ -
Change in accrual for purchases of property, plant and equipment	$ (2,712)	$ 35,735

PHOTRONICS, INC. AND SUBSIDIARIES
Reconciliation of GAAP to Non-GAAP Financial Information
(in thousands, except per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	July 31, 2011	August 1, 2010	July 31, 2011	August 1, 2010
Reconciliation of GAAP to Non-GAAP Net Income Attributable to Photronics, Inc.				
GAAP net income attributable to Photronics, Inc.	$ 11,265	$ 7,691	$ 6,938	$ 15,778
(a) Debt extinguishment loss and net interest impact, net of tax	4,973	-	35,486	-
(b) Consolidation and restructuring charges (credits), net of tax	-	26	-	(4,810)
(c) Impact of warrants, net of tax	(221)	(388)	599	692
(d) Deferred financing fees write off, net of tax	-	-	-	1,011
Non-GAAP net income attributable to Photronics, Inc.	$ 16,017	$ 7,329	$ 43,023	$ 12,671
Reconciliation of GAAP to Non-GAAP Net Income Applicable to Common Shareholders				
Weighted average number of diluted shares outstanding				
GAAP	76,744	66,280	57,724	65,689
(e) Non-GAAP	76,692	65,864	70,559	54,378
Net income per diluted share				
GAAP	$ 0.16	$ 0.13	$ 0.12	$ 0.29
Non-GAAP	$ 0.23	$ 0.13	$ 0.66	$ 0.23

(a) Represents extinguishment charges during the three and nine months ended July 31, 2011 related to the repurchase of $5.0 million and $35.4 million, respectively, of our 5.50% convertible senior notes due in October 2014, and net interest impact on convertible transactions.

(b) Includes charges (credits) related to restructuring in China.

(c) Represents financing expenses related to warrants, which are recorded in other income (expense).

(d) Represents write-off of deferred financing fees recorded in interest expense, as a result of an amendment to our revolving credit facility.

(e) Excludes the impact of shares issued on June 13, 2011 (0.4 million shares during the three months ended July 31, 2011 and 0.1 million shares during the nine months ended July 31, 2011), primarily related to the issuance of common stock in exchange for $5.0 million of our 5.5% convertible senior notes due in October 2014.

PHOTRONICS, INC. AND SUBSIDIARIES
Non-GAAP Financial Measure
Reconciliation of GAAP Net income to EBITDA
(in thousands)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	July 31, 2011	August 1, 2010	July 31, 2011	August 1, 2010
GAAP Net income	**$ 12,622**	**$ 7,607**	**$ 11,173**	**$ 16,620**
Add: interest expense	1,907	1,827	5,499	7,807
Add: income tax expense	4,895	2,910	11,638	5,790
Add: depreciation and amortization	23,229	21,536	68,923	65,247
Add(less): special items (a)	5,479	100	37,671	(3,176)
EBITDA	**$ 48,132**	**$ 33,980**	**$ 134,904**	**$ 92,288**

(a) Special items consist of debt extinguishment loss and non-cash consolidation and restructuring charges/(credits), warrants expense (income), deferred financing fees write-off and stock compensation expense