

OEM Capital – Photonics MARKET FOCUS

June 2010

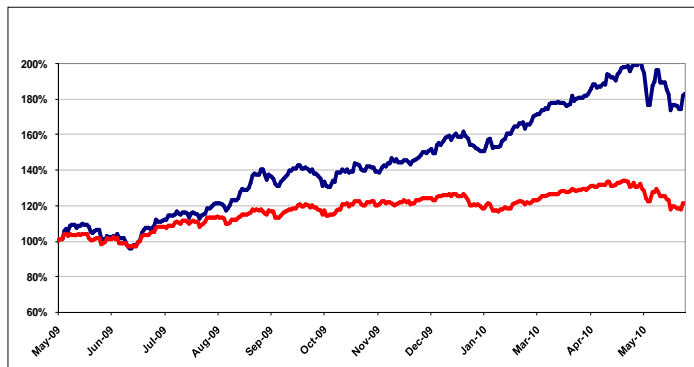
MONTHLY MARKET PERFORMANCE:

Closing Prices as of May 28, 2010

Current Company Name	Market Cap ¹	Revenue ¹	% Price Change [30 day]	% Price Change [YTD]	P/E
Advanced Photonix	12.2	22.1	(9.4)	(32.7)	NM
Agilent Technologies	11,401.8	4,708.0	(9.6)	4.6	39.9
Andor Technology plc	56.5	33.1	(17.4)	31.7	22.8
AXT Inc.	136.4	66.4	18.6	29.8	29.9
Cognex Corp.	772.3	192.4	(7.9)	7.3	110.7
Coherent Inc.	896.8	478.0	(0.7)	18.7	NM
CyberOptics Corp.	66.9	35.1	(13.2)	47.4	NM
Dynasil Corp.	31.5	35.5	(12.3)	(8.4)	19.2
EXFO Electro Optical	315.4	179.8	(13.5)	30.9	NM
Finisar Corp.	1,129.0	548.9	0.9	66.7	NM
Gooch & Housego plc	£33.7	£36.4	(13.5)	18.8	38.3
Halma plc	£945.4	£456.3	(5.3)	0.2	20.8
II-VI Inc.	1,051.7	297.9	(6.6)	6.3	41.2
Infinera Corp.	709.0	338.3	(24.4)	(20.2)	NM
IPG Photonics	789.8	191.7	(1.4)	(1.6)	113.0
JDS Uniphase Corp.	2,541.4	1,257.3	(12.6)	36.4	NM
KLA-Tencor Cor.	5,314.0	1,542.8	(7.1)	(15.3)	55.3
Newport Corp.	391.0	384.6	(21.5)	12.9	NM
Oclaro, Inc.	645.9	346.7	2.5	71.9	NM
Ophir Optronics	331.4	383.4	(22.5)	(15.5)	14.7
Photonic Products	12.7	11.1	0.0	10.0	NM
Rofin-Sinar	776.1	355.9	(3.0)	1.8	71.2
Rudolph Tech.	286.6	108.2	(7.2)	29.4	NM
Zygo Corp.	142.5	98.0	(14.6)	13.0	NM

¹ (\$ millions) unless otherwise noted

OEM Photonics Market Focus Index vs. S&P 500:



■ OEM Capital Photonics Index ■ S&P 500 Index

SELECTED STATISTICS FOR INDEX COMPANIES:

Key Statistics	CY2007	CY2008	CY2009	Latest
TEV/Total Revenue	1.7x	1.8x	2.3x	2.1x
TEV/EBITDA	10.9x	12.5x	35.5x	20.6x
TEV/EBIT	15.5x	19.8x	280.7x	40.2x
Return on Equity %	9.6%	(6.7%)	(5.9%)	0.6%
Gross Margin %	50.0%	48.6%	45.0%	45.8%
SG&A Margin %	25.2%	25.8%	28.5%	26.6%
EBITDA Margin %	16.0%	14.2%	6.5%	10.3%
EBIT Margin %	11.3%	8.9%	0.8%	5.2%
Net Income Margin %	8.8%	(5.7%)	(5.0%)	0.8%
Total Revenue, 1 Yr Growth %	10.5%	(1.0%)	(21.4%)	(8.7%)
Total Revenue, 2 Yr CAGR %	14.2%	4.6%	(11.7%)	(9.1%)
Total Revenue, 3 Yr CAGR %	11.7%	8.9%	(4.9%)	(3.5%)

Source of financial data: Standard & Poor's, CapitalIQ, FT and Thomson Financial
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MARKET COMMENTARY:

May was the worst May for the Dow since 1940 with the index down 7.9% for the month. The S&P 500 was down 8.2% for the month.

COMMENTARY

By: Mike Simon
ms@oemcapital.com

One of the worst performing sub sectors was technology. The Photonics Market Index was down 8.1% for the month. Over the past 12 months the **Photonics Market Index**

was up 83.1%, still well ahead of the 12 month performance of the S&P 500 at 21.6%.

NOTABLE RECENT TRANSACTIONS:

Big month in laser measurement with both Photon Inc. (www.photon-inc.com) and Spectrum Detector completing (www.spectrumdetector.com) sales to strategic buyers:

Ophir Optronics (precision laser measurement) acquired **Photon Inc.** (developer of laser-beam-profiling optical test equipment) in a transaction announced on May 17th, terms were not disclosed. Photon's light measurement and beam profiling products will complement Ophir's existing product lines in this area.

Gentec Electro-Optics the oldest player in the laser beam measurement market announced the acquisition of the Oregon based laser and terahertz measurement manufacturer **Spectrum Detector**. The acquisition expands Gentec's product offering in new markets, and adds Spectrum Detector's expertise in THz, ultra-sensitive detection, and high speed pulse measurement markets. The transaction was announced on June 7th.

Ocean Optics (part of Halma plc) acquired the assets of **Sandhouse Design**, a manufacturer of modular and mid-IR spectrometers, LEDs, light sources, and other photonics products. Ocean manufactures modular spectroscopy and optical sensing equipment. Since 1992 Ocean has sold more than 130,000 spectrometers. www.OceanOptics.com

ThermoFisher is expanding their presence in the hand-held detector area, acquiring **Polychromix Inc.** (Wilmington MA) at the end of the month. Polychromix has developed a line of rugged handheld IR and NIR analyzers. In January Thermo acquired **Ahura Scientific** (located in the same industrial park as Polychromix). Ahura develops a hand-held Raman spectrometer. Polychromix and Ahura expand Thermo's existing XRF hand-held detector product line into new applications and new areas of the spectrum.

IPO / Financing News:

It was a quiet month for IPOs, three VC backed companies filed for initial public offerings: ZipCar, TripWire and NuPath. Investor skittishness, market volatility and uncertainty about the economy continue to place a damper on the IPO market.

Special thanks to the organizers of the Laserfest History Symposium held on Sunday at CLEO/QELS 2010 in San Jose last month. It was a spellbinding presentation by many of the pioneers of the Laser as well as a talk by Kathleen Maiman, the widow of the ruby laser inventor Theodore Maiman. Read the full article at www.Photonics.com

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2507 Post Road • Southport CT 06890-1259 • Tel (203) 254-0200 • Fax (203) 259-4041

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