

OEM CAPITAL – PHOTONICS MARKET FOCUS

MONTHLY MARKET

PERFORMANCE Closing Prices as of April 30, 2010

Company:	Market Cap	Revenue	% Price Change [30 day]	% Price Change [YTD]	P/E
Advanced Photonix	14.0	22.1	1.2	(20.3)	NM
Agilent Technologies	12,623.8	4,528.0	7.5	19.0	81.4
Andor Technology plc	65.0	33.1	26.5	55.7	26.2
AXT Inc.	135.3	55.4	30.6	24.8	NM
Cognex Corp.	829.4	175.7	15.2	18.9	NM
Coherent Inc.	936.1	434.3	8.4	17.6	NM
CyberOptics Corp.	75.9	35.1	25.5	70.0	NM
Dynasil Corp.	35.1	35.5	4.1	2.6	21.5
EXFO Electro Optical	368.9	179.8	(7.4)	51.6	NM
Finisar Corp.	1,109.7	548.9	(1.3)	72.3	NM
Gooch & Housego plc	£37.7	£36.4	17.4	35.8	42.8
Halma plc	£1,025.7	£456.3	6.8	8.6	22.6
II-VI Inc.	1,102.1	264.5	13.7	17.8	52.4
Infinera Corp.	893.8	338.3	15.7	7.4	NM
IPG Photonics	807.7	185.9	19.0	2.1	168.0
JDS Uniphase Corp.	2,852.1	1,204.1	12.7	59.7	NM
KLA-Tencor Cor.	5,860.8	1,374.2	12.3	(6.0)	NM
Newport Corp.	433.5	367.0	4.6	37.4	NM
Oclaro, Inc.	595.7	286.8	1.1	81.3	NM
Ophir Optronics	412.7	383.4	(6.9)	5.3	18.3
Photonic Products	12.7	11.1	10.0	10.0	NM
Rofin-Sina	773.2	335.6	17.0	10.9	116.0
Rudolph Tech.	295.8	78.7	25.3	53.9	NM
Zygo Corp.	164.5	92.6	7.1	38.2	NM

money with the **Index** up 98.0%. Changes to the Index: **Corning** has been dropped and **Finisar** added.

Newport reported Q1 2010 sales up 19.7% on April 28th. **II-VI** reported same-period sales up 52% on April 27th. **ATX** reported same-period sales up 141%. **Oclaro's** Q1 revenues were \$101.2 million compared to \$41.24 million for the same period last year. **KLA-Tencor** Q1 sales were up 54% for the same period last year. **Rudolph Technologies** Q1 2010 revenue: \$40.6 million vs. Q1 2009 revenue of \$11.1 million. **Coherent** provided guidance on April 29th: outlook for full year net sales will be in a range of \$590 million to \$600 million, which represents a very healthy 35% to 38% increase over fiscal 2009. Good news across the board.

Recent Transactions:

Coherent acquired **Beam Dynamics** for \$6.25 million, the transaction closed April 30th. Beam Dynamics manufactures mid-power laser cutting and machining centers and Beam Dynamic's technology will enhance Coherent's application knowledge and development capabilities in the expanding market for precision laser processing workstations.

IPG Photonics acquired **Cosytronic** (Computer-System-Elektronik KG) on April 20th. Cosytronic manufactures laser welding equipment that integrate with IPG's fiber lasers, extending IPG's product portfolio of laser welding tools. Terms were not disclosed. The acquisition is not expected to have material effect on IPG's financial results in 2010.

Andor Technology acquired trade and assets of **Photonic Instruments** and **Imaginative Optics** for \$7.5 million in a transaction closed April 14. Photonic Instruments and

COMMENTARY by Michael Simon

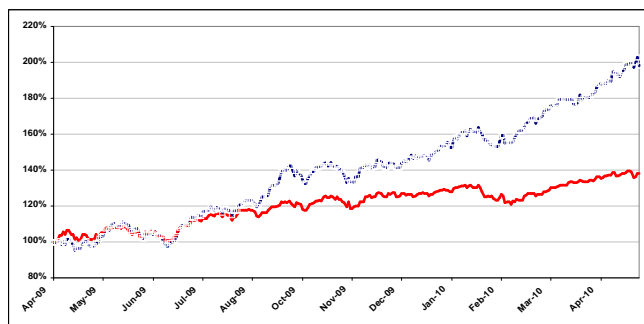
Imaginative Optics had combined revenues of \$3 million and operating profit of \$0.8 million for the year ended December 31, 2009.

IPO Pipeline: **Neophotonics** is in registration to raise \$115 million. VCs who invested over \$232 million in the business may finally see a return. **Shelf Registrations:** **Dynasil** filed for \$16.1 million on March 23, **Finisar** filed for \$121.0 million on March 17th. **Oclaro** completed a follow-on equity offering of \$72 million on May 6th. According to PitchBook, there are currently 39 private equity-backed companies in registration.

Thomson Reuters and the National Venture Capital Association (NVCA) reported an all-time record for venture-backed M&A exits in Q1 2010. 31 disclosed exits averaged \$180.2 million, which was 21 percent higher than the total average disclosed transaction value for **all of 2009**. Nearly all the venture backed Q1 IPOs were trading above their offer price in April.

Private Equity: Good news from Greece: **Forth Photonics**, developer of medical imaging systems completed another round of financing. **Leap Medical** raised c\$1 million at the end of March from 3 venture funds.

Photonics Market Focus Index vs. S&P 500:



Photonics Industry S&P 500 Index

Selected Statistics for Index Companies:

Selected Trading Multiples	CY2007	CY2008	CY2009	Latest
TEV/Total Revenue	2.0x	2.0x	2.6x	2.5x
TEV/EBITDA	12.6x	14.4x	41.4x	26.6x
TEV/EBIT	17.9x	22.9x	NM	60.7x
Return on Equity %	9.6%	(6.7%)	(5.9%)	(1.6%)
Gross Margin %	50.0%	48.6%	45.0%	45.0%
EBITDA Margin %	16.0%	14.2%	6.5%	9.2%
Net Income Margin %	8.8%	(5.7%)	(5.0%)	(1.0%)
Total Revenue, 1 Yr Growth %	10.5%	(1.0%)	(21.4%)	(12.7%)
Total Revenue, 2 Yr CAGR %	14.2%	4.6%	(11.7%)	(9.4%)
Total Revenue, 3 Yr CAGR %	11.7%	8.9%	(4.9%)	(3.7%)

Market Commentary:

Recovery is here. Over the past 12 months, the S&P 500 is up 38.3%. If you had invested \$10,000 in the **Photonics Market Index** on April 30, 2009 you would have almost doubled your