

# OEM Capital – Photonics MARKET FOCUS

November 2010

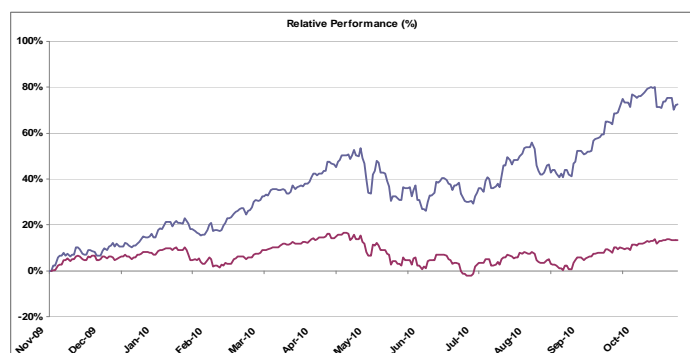
## MONTHLY MARKET PERFORMANCE:

Closing Prices as of October 29, 2010

Current Company Name	Market Cap <sup>1</sup>	Revenue <sup>1</sup>	% Price Change [30 day]	% Price Change [YTD]	P/E
Advanced Photonix Inc.	25.6	21.4	1.0 ▲	35.1 ▲	NM
Agilent Technologies Inc.	12,053.7	5,035.0	3.2 ▲	11.2 ▲	38.0
Andor Technology plc	112.8	37.0	3.4 ▲	167.0 ▲	37.2
AXT Inc.	255.9	86.5	22.6 ▲	143.4 ▲	21.5
Cognex Corp.	1,059.6	223.3	1.9 ▲	47.2 ▲	51.9
Coherent Inc.	1,043.0	546.3	4.4 ▲	40.3 ▲	49.5
CyberOptics Corp.	51.6	52.0	(16.9) ▼	13.1 ▲	64.9
Dynasil Corporation of America	70.0	40.0	29.4 ▲	101.5 ▲	34.2
EXFO Inc	359.9	202.8	4.1 ▲	49.1 ▲	60.6
Finisar Corp.	1,311.9	709.0	(10.7) ▼	86.5 ▲	49.1
Gooch & Housego plc	£82.7	£37.9	21.1 ▲	190.0 ▲	40.6
Halma plc	£1,230.7	£459.1	2.2 ▲	30.4 ▲	24.4
II-VI Inc.	1,216.4	399.7	5.1 ▲	22.3 ▲	28.2
Infinera Corp.	826.9	427.4	(30.6) ▼	(9.8) ▼	NM
IPG Photonics Corporation	1,041.9	252.6	(6.4) ▼	29.5 ▲	37.8
JDS Uniphase Corporation	2,337.6	1,363.9	(14.5) ▼	24.1 ▲	NM
KLA-Tencor Corporation	5,967.5	2,160.4	2.0 ▲	(3.3) ▼	20.0
Newport Corp.	533.8	448.5	27.9 ▲	53.8 ▲	31.2
Oclaro, Inc.	416.4	428.8	(46.8) ▼	8.5 ▲	64.8
Ophir Optronics Ltd.	nis387.7	nis391.8	6.7 ▲	(2.5) ▼	18.5
Photonic Products Group Inc.	10.4	10.6	(10.0) ▼	(10.0) ▼	NM
Rofin-Sinar Technologies Inc.	789.5	389.7	7.6 ▲	17.1 ▲	39.9
Rudolph Technologies Inc.	232.2	141.2	(9.1) ▼	4.4 ▲	61.0
Zygo Corp.	187.8	101.3	10.1 ▲	48.2 ▲	24.9

<sup>1</sup> \$ millions unless otherwise noted

## PHOTONICS MARKET FOCUS INDEX vs. S&P 500:



■ OEM Capital Photonics Index ■ S&P 500 Index

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

## SELECTED STATISTICS FOR INDEX COMPANIES:

Key Statistics	CY2007	CY2008	CY2009	Latest
TEV/Total Revenue	2.2x	2.3x	2.8x	2.3x
TEV/EBITDA	14.0x	15.9x	43.0x	14.9x
TEV/EBIT	20.0x	25.0x	NM	21.1x
Gross Margin %	50.0%	48.6%	44.9%	47.9%
EBITDA Margin %	16.0%	14.3%	6.5%	15.7%
EBIT Margin %	11.3%	9.1%	0.7%	11.0%
Net Income Margin %	8.8%	(5.7%)	(4.8%)	7.1%
Total Revenue, 1 Yr Growth %	10.5%	(1.0%)	(21.1%)	19.9%
Total Revenue, 2 Yr CAGR %	14.2%	4.6%	(11.6%)	(3.1%)
Total Revenue, 3 Yr CAGR %	11.7%	8.9%	(4.8%)	(0.2%)
EBITDA, 1 Yr Growth %	30.1%	(11.6%)	(64.3%)	154.3%
EBITDA, 2 Yr CAGR %	36.2%	7.2%	(43.8%)	(4.4%)
EBITDA, 3 Yr CAGR %	26.4%	17.9%	(25.7%)	(0.9%)

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

## MARKET COMMENTARY:

“Slow and Steady Recovery” is the theme for October; venture-backed company exit activity was driven by an active M&A market and a level of IPOs consistent with a slow economic recovery. Q3 venture-backed IPOs were slightly below Q2 in the number and total value of offerings. Venture investing is on the rise as PEGs see a viable exit strategy through M&A or IPO.

### COMMENTARY

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The **Photonics Market Index** was off 0.8% for the month compared to the S&P 500 index which was up 4.0% for the month.

## NOTABLE RECENT TRANSACTIONS:

**Rofin-Sinar Technologies** acquired Switzerland based **Lasag AG** from the Swatch Group on October 1<sup>st</sup>, financial details were not disclosed. **Lasag AG** manufactures solid-state lasers for micromachining.

**Synopsys** acquired **Optical Research Associates** for an undisclosed amount on October 7<sup>th</sup>. Optical Research Associates develops advanced software for optical design and engineering.

Technology-focused PEG **Francisco Partners** acquired **Source Photonics** from **MRV Communications** (OTCPK: MRVC) for approximately \$150 million on October 26, 2010. **Source Photonics** provides transceivers, PON products and transponders for datacom networks. Consideration included \$113 million in cash, \$33 million in assumed liabilities. For the fiscal year ended December 31, 2009 Source Photonics reported \$210.6 million in revenue. **Source Photonics** was formerly known as **Luminent**.

**MRV** spent about \$6 million of the proceeds on the acquisition of Italian systems integrator **Tecnonet S.p.A.** on November 3<sup>rd</sup>. **MRV's** last big deal was the acquisition of **Fiberxon** in 2007 for \$110 million from a group of well-known PEG investors. **MRV** acquired 7 companies in one four month stretch in 2000 spending over \$800 million to roll-up companies crushed when the dot com bubble burst. **MRV's** stock price was \$90/share in March 2000.

**Zygo Corp** announced the acquisition of **ASML Richmond Optics Facility** on October 27<sup>th</sup>, terms were not disclosed. This will expand **Zygo's** optical manufacturing capabilities, adding high precision optical machining and polishing equipment and aspheric lens manufacturing and diamond turning assets.

## IPO / Financing News:

Taiwan based **Genesis Photonics** announced a secondary public offering on October 22<sup>nd</sup>. **Genesis** manufactures a broad range of specialty LEDs used in a wide range of applications including general lighting, displays, monitor backlight and automotive. For the 12 months ended June 30, **Genesis** reported sales of approximately \$56 million USD and \$3.8 million of net income.

Publicly traded Canadian based **Cantronic Systems**, manufacture of infrared imaging and vision systems raised \$2.5 million in a private placement closed on October 26<sup>th</sup>.

## OEM Capital

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