

OEM Capital – PHOTONICS MARKET FOCUS

April 2011

MONTHLY MARKET PERFORMANCE:

Closing Prices as of March 31, 2011

Company Name	Market Cap ¹	Revenue ¹	% Price Change [30 day]	% Price Change [YTD]	P/E
Advanced Photonix Inc.	61.6	26.1	(3.4)	28.8	NM
Agilent Technologies Inc.	15,454.6	5,750.0	10.1	6.9	27.2
Andor Technology plc	£116.6	£42.7	(14.9)	(5.1)	37.2
AXT Inc.	230.2	95.5	1.1	(30.5)	21.1
Cognex Corp.	1,171.2	290.7	5.1	(6.7)	23.3
Coherent Inc.	1,477.6	665.4	(4.8)	25.3	30.1
CyberOptics Corp.	59.7	57.0	(3.1)	0.8	25.0
Dynasil Corp.	63.3	44.7	(9.2)	(11.5)	27.9
EXFO Inc	687.2	228.1	(5.9)	49.2	82.4
Finisar Corp.	2,204.9	804.3	(38.0)	(19.6)	68.0
Gooch & Housego plc	£101.9	£44.7	(10.9)	1.1	32.6
Halma plc	£1,319.2	£486.1	3.7	(2.4)	21.0
II-VI Inc.	1,549.9	451.8	1.3	3.5	27.9
Infinera Corp.	871.5	454.4	8.7	(20.7)	NM
IPG Photonics	2,723.4	252.6	7.3	80.1	83.8
JDS Uniphase	4,673.4	1,601.9	(17.0)	39.4	NM
KLA-Tencor	7,912.9	2,486.4	(1.3)	22.1	18.5
LightPath Tech	20.4	10.2	44.8	7.7	NM
New port Corp.	659.5	479.8	8.2	(1.4)	20.8
Oclaro, Inc.	574.3	455.5	(31.3)	(14.1)	77.1
Ophir Optronics Ltd.	ILS 388.4	ILS 104.8	(0.9)	(9.5)	17.9
PPGI Photonic Products	12.9	10.4	15.8	15.8	NM
Rofin-Sinar Tech	1,127.0	467.7	2.7	7.7	28.0
Rudolph Technologies Inc.	344.0	195.3	0.6	30.9	18.8
Zygo Corp.	258.0	121.1	3.3	15.0	27.6

¹ \$ millions unless otherwise noted

MARKET COMMENTARY:

Q1 M&A Statistics are out: Broad market recovery with \$312.7 billion in announced deals versus the \$212.2 billion announced in Q1 2010. 46 Electronic Equipment deals were announced in Q1 2011, against 30 last year. Communications deals declined with only 29 deals announced Q1 2011 against 48 in Q1 2010.

Cross-border activity was rampant in March, with British firms assuming their historical number one position with 34 acquisitions completed into North America and 21 sales to North American Buyers. Strategic buyers have historically high cash holdings and shareholders clamoring for high growth and returns, with seller's coming out of the bunkers from 2008 and 2009 we expect strong M&A activity to continue for the rest of the year.

COMMENTARY

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NOTABLE RECENT TRANSACTIONS:

Finisar Corp made a board and management-supported offer to acquire publicly traded **Ignis ASA** (Norway) in March. The offer has been made at a slight premium valuing **Ignis** at \$105 million. **Ignis** reported total revenues of \$51 million and EBITDA of \$1 million. **Ignis** manufactures fiber optic components for high-speed broadband networks. **Ignis** has a strategic alliance agreement with **NeoPhotonics** (NYSE: NPTN) which is sure to change following the closing. The deal is expected to close later this year.

Halma acquired **Medicel AG** for CHF100 million on March 8th. Initial cash consideration was CHF70 million. The transaction was structured with an earn-out of up to CHF30 million payable based on earnings growth over the three financial years to march 2014. **OEM Capital** advised **Halma** in this transaction.

Gooch & Housego acquired **Crystal Technology** from **EPCOS AC** for an initial cash consideration of \$10.5 million on April 1, 2011. The transaction was structured with an earn-out of up to \$3.25 million contingent on financial performance through March 31, 2012. **Crystal Technology** is based in Palo Alto CA and manufactures lithium niobate wafers, crystal substrates and acousto- and electro-optic components.

IPO / Financing News:

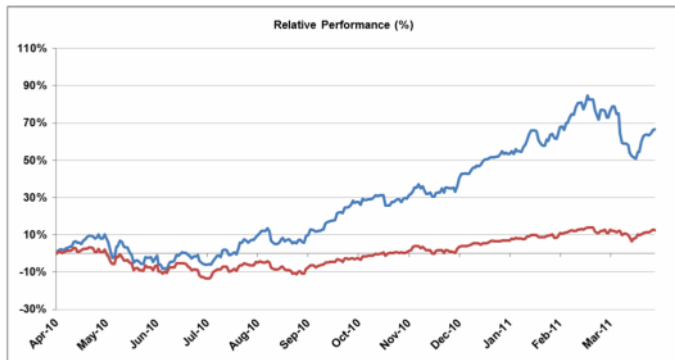
Photonics Market Focus companies **Oclaro** and **Rudolph Technology** took advantage of buoyant public markets in March to filed Shelf Registrations to raise additional equity capital.

The **National Venture Capital Association** (NVCA) reported 14 VC backed companies going public in Q1, raising a total of \$1.4 billion. 109 VC backed M&A deals were completed in Q1, 45 of which had an aggregate deal value of \$5.9 billion.

PRIVATE EQUITY

PEG investing was relatively flat for Q 1, VCs invested \$5.9 billion in 736 deals in the first quarter (MoneyTree™ and NVCA data). Quarterly investment activity increased 5 percent in terms of dollars but fell 11 percent in number of deals compared to Q4 2010.

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	CY2010	Latest
TEV/Total Revenue	1.0x	2.3x	2.4x	2.6x	2.6x
TEV/EBITDA	7.2x	22.1x	12.5x	12.7x	13.6x
TEV/EBIT	9.1x	30.7x	15.0x	15.6x	15.6x
Gross Margin %	50.0%	49.1%	45.6%	50.3%	49.3%
EBITDA Margin %	16.0%	14.8%	7.1%	20.1%	19.0%
EBIT Margin %	11.2%	9.6%	1.4%	16.1%	14.5%
Net Income Margin %	8.8%	(5.8%)	(4.9%)	12.9%	11.4%
Total Revenue, 1 Yr Growth %	10.4%	(0.9%)	(21.3%)	44.9%	40.1%
Total Revenue, 2 Yr CAGR %	13.1%	4.6%	(11.7%)	6.4%	5.3%
Total Revenue, 3 Yr CAGR %	10.8%	7.5%	(4.9%)	3.8%	3.4%
EBITDA, 1 Yr Growth %	30.0%	(8.1%)	(62.0%)	281.7%	269.3%
EBITDA, 2 Yr CAGR %	34.0%	9.3%	(40.9%)	19.3%	18.7%
EBITDA, 3 Yr CAGR %	33.4%	18.8%	(34.7%)	11.5%	11.5%
Inventory Turnover	2.9x	3.0x	3.0x	2.8x	3.0x

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

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