

OEM Capital – PHOTONICS MARKET FOCUS

July 2011

MONTHLY MARKET PERFORMANCE:

Closing Prices as of June 30, 2011

Company Name	Market Cap	Revenue	% Price Change [30 day]	% Price Change [YTD]	P/E
Advanced Photonix	45.4	28.8	(9.2)	(5.1)	NM
Agilent	17,788.6	6,156.0	2.5	22.0	31.8
Andor Technology	£198.9	£51.0	36.6	59.7	44.8
AXT	271.1	101.4	4.2	(17.7)	17.3
Cognex	1,468.9	306.1	0.4	17.0	28.1
Coherent	1,385.3	717.1	(1.5)	19.2	22.3
CyberOptics	66.8	58.0	(2.8)	12.7	22.5
Dynasil	51.4	46.5	(4.1)	(31.0)	20.0
EXFO	445.8	263.9	(16.4)	4.7	41.3
Finisar	1,621.7	948.8	(24.9)	(41.1)	23.7
Gooch & Housego	£121.3	£51.5	5.6	20.3	24.6
Halma	£1,557.8	£518.4	5.1	15.4	25.1
II-VI	1,599.9	484.3	(10.0)	6.5	26.4
Infinera	722.4	451.5	(2.7)	(34.7)	NM
IPG Photonics	3,436.8	348.0	(3.2)	127.0	51.6
JDS Uniphase	3,781.9	1,723.6	(17.5)	11.4	171.0
KLA-Tencor	6,796.7	2,842.1	(6.1)	4.5	12.0
LightPath Tech	15.0	10.0	(8.9)	(21.0)	NM
Newport	677.0	501.0	(0.1)	0.4	18.2
Oclaro	339.1	470.0	(29.8)	(49.8)	90.8
Ophir Optronics	ILS 371.5	ILS 390.5	(0.1)	(13.5)	12.9
Photonic Products Group	11.7	11.5	0.0	5.3	NM
Rofin-Sinar Technologies	971.4	508.0	(5.5)	(6.9)	21.6
Rudolph Technologies	339.0	205.3	(8.7)	28.1	15.1
Zygo	233.3	135.9	(7.2)	4.0	19.5

Figures in \$ millions unless otherwise indicated

MARKET COMMENTARY:

Year-to-date the Photonics Market Focus Index is up 12.1% vs. the S&P 500 6.1%, over the last 12 months the Index is up 75.0% compared to 28.5% for the S&P 500. Stellar returns attract investment dollars: photonics is now one of the most active sectors for venture capital and the large number of deals is indicative of an industry going through

a major consolidation.

The Photonics Market Index lost a constituent when **Newport** announced an agreement to acquire **Ophir** on July 7th. **IDEX** made a big move in Photonics, acquiring **CVI Melles Griot** for \$400 million; this transaction was announced in May and closed in June.

Recession? You wouldn't know from looking at the revenue and profit growth statistics for Photonics Market Focus companies shown in the "Key Statistics" table on the left

NOTABLE RECENT TRANSACTIONS:

On July 7th **Newport** signed an agreement to acquire **Ophir Optronics** in a transaction valued at approximately \$260 million. The deal is expected to close later this year. **Ophir's** shares had been trading flat around ILS14/share and the offer represents a significant premium at ILS26/share, 2.2x last-12-months revenue and over 19x EBIT. **Ophir** is strong in infrared optics and laser measurement equipment which will compliment Newport's existing products.

On July 12 **Newport** announced the acquisition of **High Q Technologies GmbH**, the transaction is expected to close later in the year, terms were not disclosed. **High Q** manufactures ultrafast lasers, pico- and femtosecond oscillators and other specialized photonic devices including noncollinear optical parametric amplifiers.

Halma acquired **Avo Photonics** in a transaction announced on July 8th. The transaction is structured as an earn-out with \$9.0 million initial consideration and up to \$11.0 million additional payable based on **Avo's** growth in profit before tax for the period ending March 2012. For calendar year 2010 **Avo** had revenues of \$5.7 million and profit before tax of \$1.0 million. **Avo** designs and manufactures advanced miniaturized photonic components and subsystems for OEM customers serving a wide range of end-markets and will be a fit with Halma's **Ocean Optics** operations in Dunedin FL.

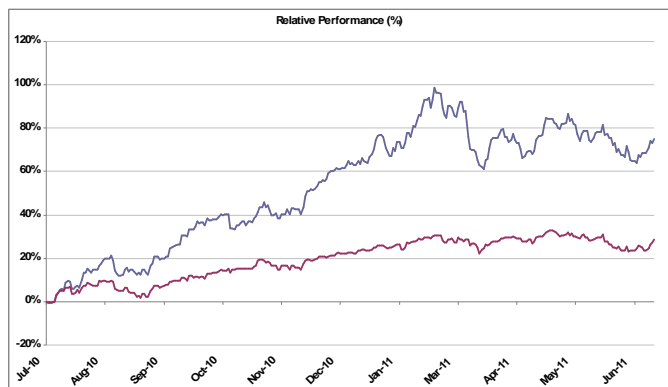
FLIR Systems acquired **Aerius Photonics** (Ventura, CA) for \$27 million in cash in a transaction announced on July 25th. **Aerius Photonics** manufactures indium gallium arsenide (InGaAs) based infrared detectors, specialty laser diodes and laser ranging equipment that fit well with the **FLIR Commercial Systems Business**.

IPO / Financing News:

Rudolph Technologies closed a \$50m convertible debt financing on July 20th. Notes will be convertible into common stock at a conversion price of approximately \$12.95 per share, about a 40% premium to the July 20th closing price of \$9.30.

ProPhotonics Limited (OTCPK: STKR) closed a \$5.12m private placement on July 12th. **ProPhotonics** manufactures laser products, photonic and optical components.

Photonics Market Focus Index vs. S&P 500:



Photonics Market Index S&P 500 Index

Selected Statistics for Index Companies:

Key Statistics	Q207	Q208	Q209	Q210	Latest
TEV/Totl Revenue	20x	09x	22x	26x	24x
TEV/EBITDA	115x	63x	253x	132x	114x
TEV/EBT	134x	85x	384x	170x	143x
Gross Margin%	47%	43%	45%	49%	44%
EBITDA Margin%	15%	14%	7%	19%	20%
Net Income Margin%	8%	NM	NM	11%	13%
Totl Revenue 1Yf Growth%	10%	(0)%	(21)%	42%	41%
Totl Revenue 2Yf CAGR%	10%	5%	(11)%	5%	14%
Totl Revenue 3Yf CAGR%	28%	5%	(4)%	3%	5%
EBITDA 1Yf Growth%	25%	(11)%	(59)%	24%	15%
EBITDA 2Yf CAGR%	30%	5%	(10)%	23%	51%
EBITDA 3Yf CAGR%	11%	12%	(23)%	10%	16%

Source of financial data: Standard & Poor's, CapitalIQ, FT, Thompson Financial and Dealogic. Copyright 2011 Photonics Market Focus is a registered trademark.

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