

OEM Capital – PHOTONICS MARKET FOCUS

June 2011

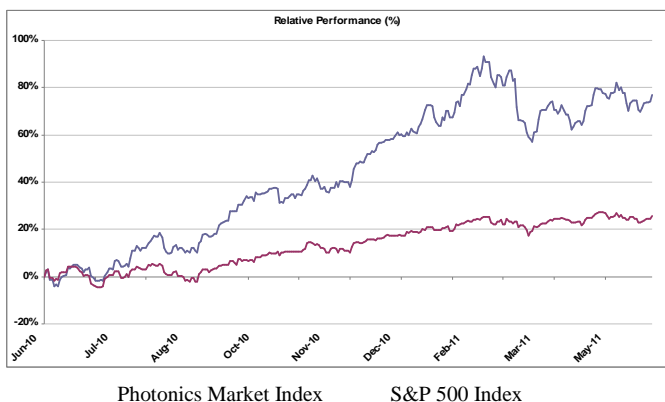
MONTHLY MARKET PERFORMANCE:

Closing Prices as of May 31, 2011

Company Name	Market Cap	Revenue	% Price Change [30 day]	% Price Change [YTD]	P/E
Advanced Photonix	50.0	26.1	(1.2)	4.5	NM
Agilent	17,211.2	5,750.0	(0.1)	19.1	35.0
Andor Technology	£145.2	£42.7	0.2	16.9	39.0
AXT	260.3	95.5	16.5	(21.0)	16.3
Cognex	1,463.1	290.7	12.8	16.5	26.5
Coherent	1,406.1	665.4	(10.3)	21.0	32.2
CyberOptics	68.7	58.0	0.2	15.9	23.1
Dynasil	53.6	44.7	(14.2)	(28.1)	23.4
EXFO Inc	532.7	252.2	0.3	25.2	59.2
Finisar Corp.	2,153.0	900.3	(14.5)	(21.5)	43.2
Gooch & Housego	£114.9	£44.7	2.4	14.0	31.5
Halma plc	£1,483.8	£486.1	5.5	9.8	24.2
II-VI	1,776.8	484.3	(1.7)	18.3	29.8
Infinera Corp.	742.3	451.5	(9.2)	(32.9)	NM
IPG Photonics	3,552.1	299.3	8.2	134.6	66.7
JDS Uniphase	4,582.8	1,601.9	(3.1)	35.1	NM
KLA-Tencor	7,236.6	2,842.1	(1.8)	11.2	12.9
LightPath Technologies	16.4	10.0	2.4	(13.3)	NM
Newport	677.8	501.0	(2.9)	0.5	21.3
Oclaro	482.9	470.9	(14.7)	(28.5)	146.1
Ophir Optronics	ILS 372.0	ILS 382.4	(2.3)	(13.4)	18.9
Photonic Products Group	11.7	11.1	(9.1)	5.3	NM
Rofin-Sinar Technologies	1,028.0	467.7	(16.6)	(1.4)	32.7
Rudolph Technologies	371.3	195.3	3.7	40.3	18.7
Zygo	251.5	121.1	(4.7)	12.1	28.5

Figures in \$ millions unless otherwise indicated

Photonics Market Focus Index vs. S&P 500:



Selected Statistics for Index Companies:

Key Statistics	C2007	C2008	C2009	C2010	Latest
TEV/Ed Revenue	20x	09x	22x	26x	25x
TEV/EBIDA	115x	63x	253x	131x	117x
TEV/EBIT	134x	85x	384x	170x	147x
Gross Margin%	497%	483%	458%	499%	498%
EBITDA Margin%	158%	142%	73%	191%	210%
Net Income Margin%	88%	NM	NM	117%	132%
Total Revenue 1 Yr Growth%	105%	(01%)	(215%)	426%	439%
Total Revenue 2 Yr CAGR%	100%	50%	(114%)	56%	142%
Total Revenue 3 Yr CAGR%	28%	58%	(47%)	37%	58%
EBITDA 1 Yr Growth%	256%	(111%)	(595%)	2798%	1907%
EBITDA 2 Yr CAGR%	303%	57%	(400%)	231%	535%
EBITDA 3 Yr CAGR%	116%	124%	(232%)	103%	165%

Source of financial data: Standard & Poor's, CapitalIQ, FT, Thompson Financial and Dealogic. Copyright 2011
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MARKET COMMENTARY:

COMMENTARY

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Slow month for deals – Big month for private placements. I can't recall a month this busy for capital raising for photonics companies since the telecom boom 10+ years ago.

NOTABLE RECENT TRANSACTIONS:

II-VI acquired **Aegis Lightwave** in a transaction closed on July 5th. Consideration was \$52.0 million, valuing Aegis at approximately 2.0x last-12-months revenue. **Aegis** provides optical channel monitoring products for the fiber-optic communications industry.

Cynosure acquired the aesthetic laser business of **Hoya Photonics** for \$24.5 million on June 27th. For the fiscal year ended March 31, 2011 **Hoya** generated revenue of \$23.0 million from the aesthetic laser business. Hoya's lasers remove wrinkles, scars, multi-color tattoos, vascular lesions and other dermatological defects.

IPO / Financing News:

OneChip Photonics announced a \$17 million private placement lead by new investor **Northwater Capital Management**. **OneChip** manufactures optical transceivers based on photonic integrated circuits. Since February 2007 **OneChip** has raised over \$48 million.

Galaxia Photonics announced a \$18.8 million private placement with existing shareholders May 4th. **Galaxia** manufactures wafers and wafer processing equipment for LED lighting manufacturers.

Lightwave Logic announced a \$20 million private placement on May 3rd. Lightwave is a development stage company working on electro-optic polymers. Proceeds of the placement will be taken down in tranches over a 30 month period.

Capella Photonics closed a \$24 million private placement on May 12th. Capella provides wavelength management components for optical communication systems. With revenues less than \$10 million, Capella has a long list of notable VC investors, having raised over \$140 million since July 2001.

Kaiam Corp announced a \$5.4 million private placement on May 24th. Kaiam Corp manufactures optical components and photonic integrated circuits. Investors included TriplePoint Capital and US Venture Partners

ClariPhy Communications raised \$14 million in a private placement that closed on June 20th. New investor Nokia Siemens Networks joins Norwest Venture Partners, Allegis, Onset Ventures, Pacific General Ventures, and Oclaro. ClariPhy is a fabless semiconductor company that has developed advanced CMOS based circuits for optical networking and communication applications.

Biolase Technology closed a \$8.8 million private placement on June 24th, raising money from Deerfield Management and other investors. Biolase manufactures lasers and systems for dentistry and medicine.

Suzhou Nanojoin Photonics (Suzhou, China) announced a \$13.2 million private placement on July 4th. Investors will have majority control following the completion of the financing. **Suzhou Nanojoin Photonics** develops and sells LED lighting products.

OEM Capital

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