

OEM Capital – PHOTONICS MARKET FOCUS

March 2011

MONTHLY MARKET PERFORMANCE:

Closing Prices as of February 28, 2011

Company Name	Market Cap	Revenue	% Price Change [30 day]	% Price Change [YTD]	P/E
Advanced Photonix Inc.	60.3	26.1	19.7	32.7	NM
Agilent Technologies	14,658.5	5,750.0	2.7	0.5	27.2
Andor Technology plc	£137.5	£42.7	(0.7)	12.0	37.2
AXT Inc.	234.0	95.5	(31.4)	(28.0)	21.1
Cognex Corp.	1,150.4	290.7	(10.5)	(7.8)	23.3
Coherent Inc.	1,566.8	665.4	15.6	33.1	30.1
CyberOptics Corp.	63.5	57.0	(2.8)	7.2	25.0
Dynasil Corp.	70.7	44.7	0.8	(1.0)	27.9
EXFO Inc	737.5	228.1	14.1	60.5	82.4
Finisar Corp.	3,313.8	804.3	26.8	34.1	68.0
Gooch & Housego plc	£116.2	£44.7	4.9	15.3	32.6
Halma plc	£1,267.5	£486.1	(0.5)	(6.3)	21.0
II-VI Inc.	1,594.8	451.8	3.4	6.5	27.9
Infinera Corp.	821.0	454.4	8.7	(24.3)	NM
IPG Photonics	2,661.3	252.6	69.7	77.7	83.8
JDS Uniphase	5,531.5	1,601.9	45.8	65.0	NM
KLA Tencor	8,163.7	2,486.4	11.7	26.0	18.5
Lightpath Technology	14.1	10.2	(13.2)	(25.6)	NM
Newport Corp.	611.9	479.8	(4.7)	(8.0)	20.8
Oclaro, Inc.	880.5	455.5	32.9	31.8	77.1
Ophir Optronics Ltd.	ILS 392.0	ILS 104.8	(3.2)	(8.6)	17.9
PPGI Photonic Products	11.0	10.4	(5.0)	0.0	NM
Rofin-Sinar	1,106.5	467.7	0.7	5.8	28.0
Rudolph Tech	347.9	195.3	13.5	32.5	18.8
Zygo Corp.	255.5	121.1	39.5	13.9	27.6

MARKET COMMENTARY:

I attended the OFC/NFOEC trade show in Los Angeles March 8th – 10th. I was struck by the large number of Chinese companies exhibiting. In the past 13 months, 118 mainland China industrial companies raised over \$25 billion via IPOs. With a huge domestic market, these companies are all poised for significant growth in the years ahead and will be looking to export into global markets.

COMMENTARY

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Share prices for Photonics Market Index companies finished the month mixed, but gainers still outnumbered the losers and returns, despite a dip in the early part of the month, remained strongly ahead of the S&P 500 and other major technology indexes. Earnings results are starting to come in and we expect good updated statistics for the Index companies next month.

NOTABLE RECENT TRANSACTIONS:

Fiber and cabling giants **Prysmian S.p.A.** (Milan, Italy) and **Draka Holding N.V.** (Amsterdam, Netherlands) closed their long-anticipated merger on February 22. **Prysmian** is the surviving entity. This changes the market landscape within optical infrastructure supply. **Prysmian** beat out rival **Nexan SA** for the deal. Since 1910 **Draka** has manufactured specialty cable and cable systems. Growth has been fueled in recent years by the Communications Group within **Draka** which offers copper and optical fiber telecommunication cables, and various connectivity products and services for the data and communication industry.

Emcore Corp acquired **Soliant Energy** of Monrovia, CA on March 31st. **Soliant** is a developer of concentrated photovoltaic systems which will enhance **Emcore's** existing solar offerings, including **Emcore's** manufacturing joint venture, **Suncore** based in Huainan, China.

GigOptix (OTCBB: GGOX) signed an agreement to acquire **Endwave** (NASDAQ: ENWV) for \$22 million in a deal announced February 7th. **GigOptix**, supplies high performance electronic and electro-optic components that enable next generation 40G and 100G fiber-optic telecommunications and data-communications networks.

New Addition to the Index:

LightPath Technologies joins the index this month. **LightPath** manufactures precision molded optics, isolators, collimators, lenses and other optical materials with particularly broad spectral coverage from UV to long wave infrared (LWIR).

Photonics Market Focus Index vs. S&P 500:



OEM Capital Photonics Index S&P 500 Index

SELECTED STATISTICS FOR INDEX COMPANIES:

Key Statistics	CY2006	CY2007	CY2008	CY2009	Latest
TEV/Total Revenue	1.9x	1.0x	2.2x	2.2x	2.5x
TEV/EBITDA	11.1x	7.1x	25.5x	15.6x	14.3x
TEV/EBIT	12.9x	9.0x	38.5x	19.5x	17.5x
Gross Margin %	48.2%	49.8%	48.4%	45.4%	48.7%
EBITDA Margin %	13.8%	16.0%	14.3%	7.5%	17.1%
EBIT Margin %	9.1%	11.3%	9.1%	1.7%	12.4%
Net Income Margin %	8.9%	8.8%	(5.5%)	(5.0%)	9.4%
Total Revenue, 1 Yr Growth %	(15.4%)	(9.5%)	1.0%	26.8%	(25.0%)
Total Revenue, 2 Yr CAGR %	(10.6%)	(11.6%)	(4.3%)	13.2%	0.6%
Total Revenue, 3 Yr CAGR %	(6.4%)	(9.7%)	(6.9%)	5.2%	(1.2%)
EBITDA, 1 Yr Growth %	(29.3%)	(23.1%)	13.2%	147.3%	(76.5%)
EBITDA, 2 Yr CAGR %	(18.2%)	(25.4%)	(6.6%)	67.3%	(1.1%)
EBITDA, 3 Yr CAGR %	(38.0%)	(19.4%)	(12.5%)	29.8%	(4.0%)
Inventory, 1 Yr Growth %	(11.2%)	(2.8%)	2.1%	20.7%	(18.6%)

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

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