

OEM Capital – PHOTONICS MARKET FOCUS

May 2011

MONTHLY MARKET PERFORMANCE:

Closing Prices as of April 29, 2011

Company Name	Market Cap	Revenue	% Price Change [30 day]	% Price Change [YTD]	P/E
Advanced Photonix	50.6	26.1	(21.4)▼	5.8▲	NM
Agilent	17,225.0	5,750.0	10.7▲	19.2▲	35.0
Andor Technology	£143.4	£42.7	22.1▲	16.7▲	39.0
AXT Inc.	223.5	95.5	(1.3)▼	(32.2)▼	16.3
Cognex Corp.	1,296.8	290.7	9.8▲	3.3▲	26.5
Coherent Inc.	1,589.5	665.4	7.4▲	34.8▲	32.2
CyberOptics Corp.	68.6	58.0	18.5▲	15.7▲	23.1
Dynasil Corp.	59.8	44.7	(9.5)▼	(16.3)▼	23.4
EXFO Inc	530.7	252.2	(16.4)▼	24.8▲	59.2
Finisar Corp.	2,517.8	900.3	22.6▲	(8.2)▼	43.2
Gooch & Housego	£112.1	£44.7	5.1▲	11.3▲	31.5
Halma plc	£1,405.8	£486.1	6.4▲	4.0▲	24.2
Il-VI Inc.	1,802.3	484.3	16.4▲	20.4▲	29.8
Infinera Corp.	813.6	451.5	(6.2)▼	(26.1)▼	NM
IPG Photonics	3,279.6	299.3	21.5▲	116.9▲	66.7
JDS Uniphase	4,671.1	1,601.9	4.9▲	39.4▲	NM
KLA Tencor	7,341.0	2,842.1	(7.8)▼	13.3▲	12.9
LighPath Tech	16.0	10.0	(19.6)▼	(15.4)▼	NM
Newport Corp.	697.9	501.0	4.5▲	3.5▲	21.3
Oclaro, Inc.	560.1	470.9	0.1▲	(16.2)▼	146.1
Ophir Optronics	nis 383.4	nis 382.4	2.6▲	(10.8)▼	18.9
PPGI Photonics	12.9	11.1	6.8▲	15.8▲	NM
Rofin-Sinar	1,235.7	467.7	9.1▲	18.1▲	32.7
Rudolph Tech	356.8	195.3	6.1▲	35.3▲	18.7
Zygo Corp.	263.8	121.1	5.4▲	17.6▲	28.5

* Figures in \$ millions unless otherwise indicated

MARKET COMMENTARY:

Global M&A activity for the first three months of 2011 totaled \$716.3 billion, up 16% from a year ago. In the US, Q1 deal volume rose 45% to \$290.8 billion, although the number of deals fell 14% to 2,217 compared to Q1 2010. European activity has recovered, despite continued economic uncertainty on the Continent. The blockbuster IPO of LinkedIn last week should prove that the market is hot for new issues. For the four months ended April 29th, the S&P 500 market index was up 8.6% and the Photonics Market Index was up 17.0%

COMMENTARY

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NOTABLE RECENT TRANSACTIONS:

IDEX announced the acquisition of lasers and optical equipment maker **CVI Melles Griot** on May 12. The \$400 million cash transaction is expected to close in June. **CVI** has annual revenues of approximately \$185 million. **CVI** joins IBS coaters **ATFilms**, acquired in January for \$32 million (plus earn-out) and **Semrock**, acquired in 2008 for \$61 million (price with earn-out).

C.T. Moffitt & Company (**CTM&Co**) acquired the assets of **Laserod, Inc.** (Torrance CA), a manufacturer of laser etching and marking systems on April 26. **CTM&Co** is a financial services firm which specializes in turn-around opportunities.

IPO / Financing News:

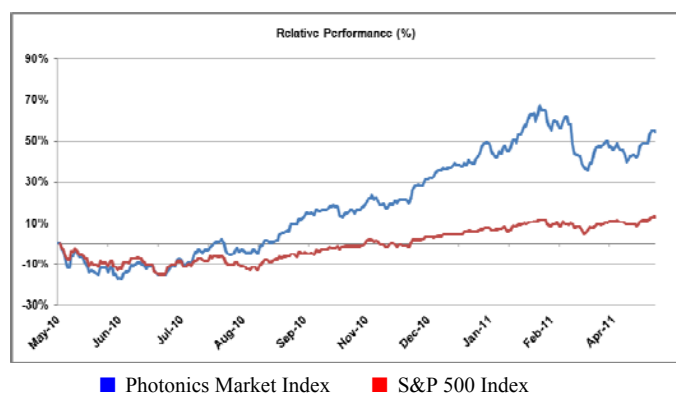
39 IPOs were done in the first quarter, raising almost \$16 billion. 15 were PE backed; I expect that PEGs will continue to harvest their investments this year through IPOs. A healthy IPO market will encourage continued investment as well as fund the creation of new or follow-on funds.

While the past two years have been down years for capital raising, the “overhang” or dry powder remains at near high historical levels of almost \$500 billion. “Photonics” companies have completed or announced 32 private placements in the past 3 months raising an announced total of \$723 million.

PE investing is up compared to last year across-the-board: later stage buy-outs, mid-size add-on financing with first-time PE financing up 76% so far this year. PE firms have a pent-up demand for realizations because they took a hiatus 2008 to 2010 when the IPO market was cold and corporations were not buying. Corporates are feeling better about the economy and are focused on growth through new technology acquisitions.

Buyout shop **Evergreen Pacific** has merged **Radiant Imaging** into **Zemax Development**. **Radiant Imaging** operates a test and measurement business for measuring light and color. Its systems are used in lab and production environments for products such as flat panel displays, laptops and LED devices. **Zemax** provides a platform for creating optical systems, including lenses, cameras and projectors.

Photonics Market Focus Index vs. S&P 500:



Selected Statistics for Index Companies:

Key Statistics:	CY2007	CY2008	CY2009	CY2010	Latest
TEV/Total Revenue	2.0x	0.9x	2.2x	2.6x	2.5x
TEV/EBITDA	11.5x	6.3x	25.3x	13.1x	12.0x
TEV/EBIT	13.4x	8.5x	38.4x	17.0x	15.2x
Gross Margin %	49.7%	48.3%	45.8%	49.9%	49.7%
EBITDA Margin %	15.8%	14.2%	7.3%	19.1%	20.2%
Net Income Margin %	8.8%	NM	NM	11.7%	12.4%
Total Revenue, 1 Yr Growth %	10.5%	(0.1%)	(21.5%)	42.6%	43.6%
Total Revenue, 2 Yr CAGR %	10.0%	5.0%	(11.4%)	5.6%	8.1%
Total Revenue, 3 Yr CAGR %	2.8%	5.8%	(4.7%)	3.7%	4.9%
EBITDA, 1 Yr Growth %	25.6%	(11.1%)	(59.5%)	279.8%	237.3%
EBITDA, 2 Yr CAGR %	30.3%	5.6%	(40.0%)	23.1%	34.2%
EBITDA, 3 Yr CAGR %	11.6%	12.4%	(23.2%)	10.5%	14.9%

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

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