



# THE LEADER IN PHOTONICS

07/31/2017

# FORWARD-LOOKING STATEMENTS & NON-GAAP MEASUREMENT

## Forward-Looking Statements

The statements in this presentation that relate to guidance, projections, future plans, business opportunities, estimates, events or performance are forward-looking statements that involve risks and uncertainties, including risks associated with business and economic conditions, customer and/or supplier contract cancellations, manufacturing risks, competitive factors, successful introductions of new products, uncertainties pertaining to customer orders, demand for products and services, growth and development of markets for the Company's products and services, and other risks identified in our filings made with the Securities and Exchange Commission, including, most recently, our Form 10-K for the year ended October 1, 2016. Actual results, events and performance may differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to release publicly the results of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Readers are encouraged to refer to the risk disclosures described in the Company's Form 10-K for the fiscal year ended October 1, 2016, our most recent Form 10-Q and subsequent reports and 8-K's, as applicable.

## Non-GAAP Measurement

The Company's statements regarding its historical pro forma gross margin, operating margin and pro forma EPS results are non-GAAP financial measures. Historical pro forma gross margin, operating margin and pro forma EPS exclude those items set forth on the applicable slide and you should refer to those slides and the reconciliation for further information.

The Company neither updates nor confirms any guidance regarding the future operating results of the Company which may have been given prior to this presentation.

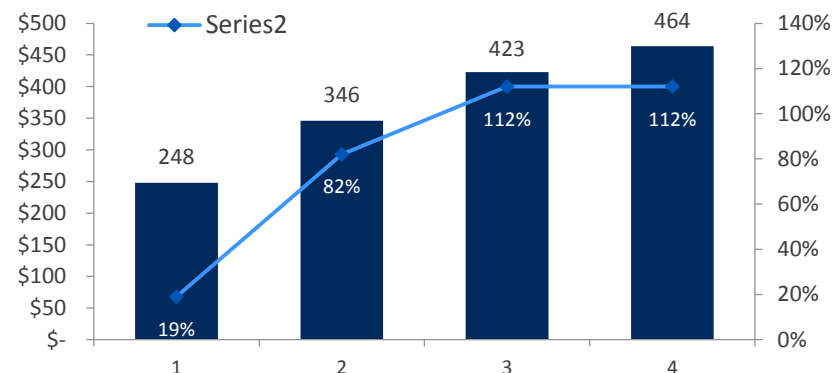
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# COHERENT - THE PHOTONICS COMPANY

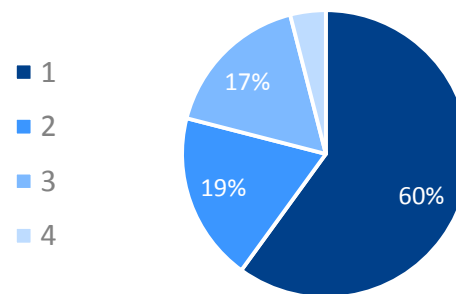
## Key Company Facts

- Industry leading provider of photonic solutions
- Founded in 1966
- LTM Sales \$1,481M
  - Significant revenue growth momentum
  - Sales 19% U.S. and 81% International
- Strong cash flow, balance sheet
- 5,145 Employees

## Growth Momentum - Revenue (\$M)



## Sales by Geo – LTM



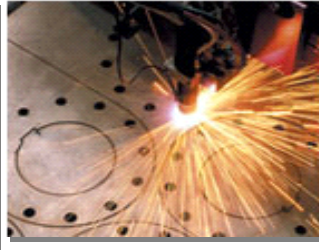
*Note: Photonics is the Merger of Lasers, Optics and Electronics*  
*Source: Company management as of 08/01/2017*

# DIVERSIFIED MARKETS AND APPLICATIONS

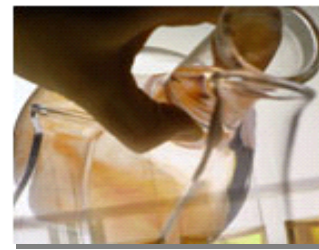
## End Markets



Microelectronics



Materials Processing



OEM Components & Instrumentation



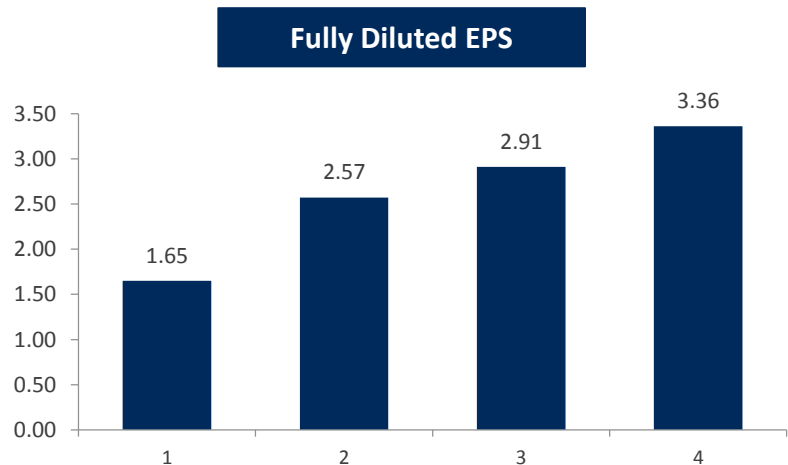
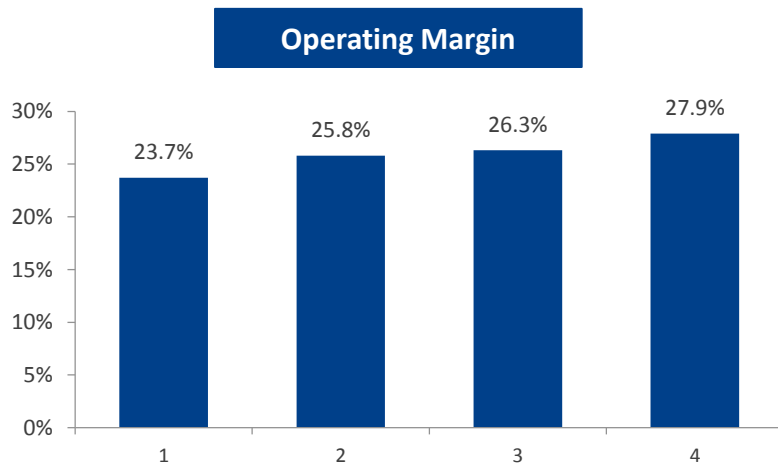
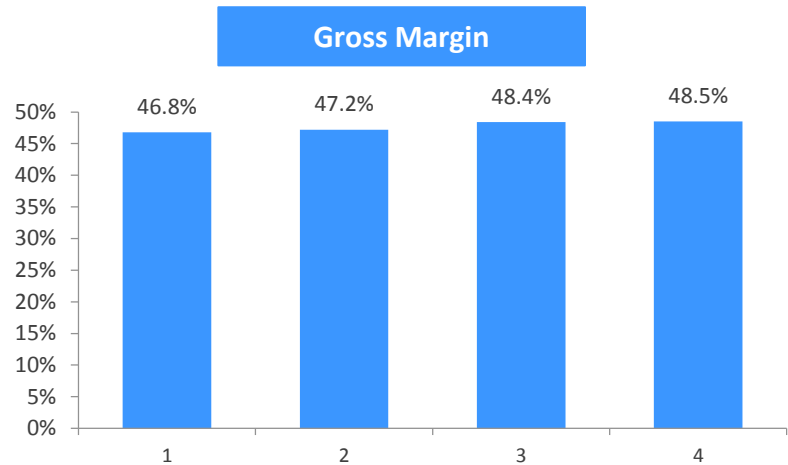
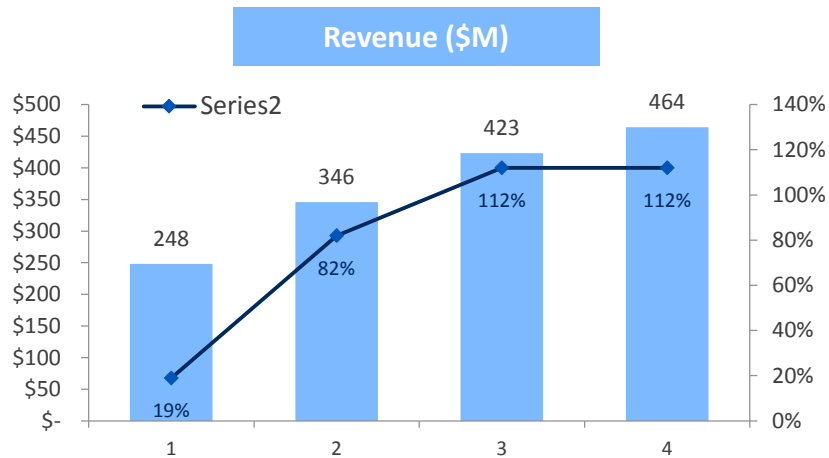
Scientific Research & Government Programs

Primary Application Focus	FPD, API, Semi	Marking, Engraving, Cutting and Welding	Diagnostic & Therapeutic Medical, Defense and Display	Ultrafast
Growth vs Market				
SAM Position	1	2-3	1	1
Competitors	Lumentum, MKSI, Trumpf	IPGP, Trumpf	Lumentum, MKSI, Private Companies	MKSI, Novanta, Private Companies
Growth Opportunities	OLED, Smartphones, Tablets, Strengthened Glass Cutting	High Power Materials Processing	Laser Eye Care Dental	Attosecond Physics

# GROWTH CATALYSTS

- Microelectronics
  - OLED adoption in handsets, mobile computing, automotive, TVs, general signage.
  - Smaller geometries in silicon
- Materials Processing
  - Continued laser adoption for Industrial applications
- OEM Instrumentation
  - Eye care; vision correction, cataracts for aging population
  - Dental: laser advantages vs mechanical devices
  - Aesthetic and Dermatology, Cytometry, Gene Sequencing
- Scientific Research
  - GDP +/- type of growth

# FINANCIAL PERFORMANCE (LTM-NON GAAP)



*Note: Gross Margin, Operating Margin and EPS exclude stock related compensation charges, intangibles amortization, inventory step up per purchase price accounting and exceptional items such as acquisition expenses, restructuring costs and the related tax effects.*

# FINANCIAL STRENGTH

In Millions (\$)	July 1, '17	Oct 1, '16
<i>Domestic</i>	134.4	69.0
<i>Offshore</i>	338.0	331.0
Total cash, cash equivalents & mkt securities	472.4	400.0

Total assets	2,278.4	1,161.1
Stockholders Equity	1068.0	910.8
Debt*	658.2	20.0

EBITDA**	142.1	66.3
Free cash flow***	75.1	29.7

\* Including short-term and long-term debt

\*\* EBITDA is defined as net income before income tax expense, depreciation and amortization expense, interest income (expense) adjusted for stock compensation costs and acquisition and restructuring expenses.

\*\*\*Free cash flow is defined as net cash provided (used) by operating activities less capital expenditures

# APPENDIX



# RECONCILIATION TO GAAP AND NON-GAAP FINANCIALS

	<u>Qtr to Date</u>	
	<u>Q3 17</u>	<u>Q3 16</u>
GAAP net income from continuing operations	\$62,871	\$18,650
GAAP net income per diluted share	\$2.53	\$0.76
Stock based compensation	5,041	4,101
Intangibles amortization	10,870	1,400
Acquisition related costs	269	2,012
Restructuring	1,131	0
Purchase accounting step-up	3,172	0
Non-GAAP net income	\$83,354	\$26,163
Non-GAAP net income per diluted share	\$3.36	\$1.07

	<u>Qtr to Date</u>	
	<u>Q3 17</u>	<u>Q3 16</u>
Net Income % of revenue	13.5%	8.5%
Income tax expense	6.4%	3.9%
Interest and other (income) expense, net	2.0%	0.5%
Depreciation and amortization	5.8%	3.9%
Acquisition related costs	0.1%	1.4%
Stock based compensation	1.5%	2.6%
Purchase accounting step-up	1.0%	0.0%
Restructuring charges	0.3%	0.0%
Pro Forma EBITDA % of revenue	30.6%	20.8%