



II-VI Incorporated to Acquire Finisar, Creating Transformative Strategic Combination with Leading Positions in Photonics and Compound Semiconductors

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- Strategic combination expected to drive significant value creation through increased scale, broadened technological base, complementary product roadmaps, and leadership positions in fast-growing markets
- \$150 million of expected run-rate cost synergies realized within 36 months of close
- Transaction expected to drive accretion in Non-GAAP earnings per share for the first full year post close of approximately 10% and more than double that thereafter
- II-VI and Finisar to host conference call today at 8:00 AM ET to discuss transaction

PITTSBURGH & SUNNYVALE, Calif., November 9, 2018 (GLOBE NEWSWIRE) – II-VI Incorporated (NASDAQ:IIVI), a global leader in engineered materials and optoelectronic components, and Finisar Corporation (NASDAQ: FNSR), a global technology leader in optical communications, today announced that they have entered into a definitive merger agreement under which II-VI will acquire Finisar in a cash and stock transaction with an equity value of approximately \$3.2 billion.

Under the terms of the merger agreement, which has been unanimously approved by the Boards of Directors of both companies, Finisar's stockholders will receive, on a pro-rated basis, \$15.60 per share in cash and 0.2218x shares of II-VI common stock, valued at \$10.40 per share based on the closing price of II-VI's common stock of \$46.88 on November 8, 2018. The transaction values Finisar at \$26.00 per share, or approximately \$3.2 billion in equity value and represents a premium of 37.7% to Finisar's closing price on November 8, 2018. Finisar shareholders would own approximately 31% of the combined company.

The combination of II-VI and Finisar would unite two innovative, industry leaders with complementary capabilities and cultures to form a formidable industry leading photonics and compound semiconductor company capable of serving the broad set of fast growing markets of communications, consumer electronics, military, industrial processing lasers, automotive semiconductor equipment and life sciences. Together, II-VI and Finisar will employ over 24,000 associates in 70 locations worldwide upon closing of the transaction.

"Disruptive megatrends driven by innovative uses of lasers and other engineered materials present huge growth opportunities for both of our companies," said Dr. Vincent D. Mittera, Jr., President and CEO, II-VI Incorporated. "In communications, materials processing, consumer electronics and automotive, we expect that the combination with Finisar will allow us to leverage our combined technology and intellectual property in InP, GaAs, SiC, GaN, SiP and diamond to achieve faster time to market, cost and scale. Together, we believe that we will be better strategically positioned to play a strong leadership role in the emerging markets of 5G, 3D sensing, cloud computing, electric and autonomous vehicles, and advanced microelectronics manufacturing."

Dr. Mattera continued, "We have long admired Finisar and have a great deal of regard for its founders and its talented global team. Our companies both have a long history of focusing on innovation, breakthrough solutions and competitive follow-through by manufacturing high quality products for our customers, and we look forward to welcoming Finisar to the II-VI family and further strengthening our competitive position in the industry."

"The combination of our state-of-the-art technology platforms, deep customer relationships, great assets and amazing talent will enhance our ability to hit market windows that won't stay open for long," said Michael Hurlston, Finisar's CEO. "This combination will accelerate our collective growth and will take advantage of the technology, products and manufacturing expertise that Finisar has uniquely developed over the course of its 30 year history."

Mr. Hurlston added, "We are extremely excited to combine Finisar with II-VI and together create a leader in photonics and compound semiconductors across all of the markets we serve. We are confident that the growth potential for the combined company is substantial, and we believe that our respective shareholders will be able to enjoy significant potential for value creation when the transaction is completed."

Compelling Strategic Rationale

As a combined company, II-VI and Finisar will continue to leverage their leading-edge innovation and commercialization of complex technologies to maximize value through vertical integration and manufacturing scale. The core competencies of the two companies in innovation and manufacturing will complement each other at all levels of the value chain, including in the following strategic areas:

- **A Stronger Position in Optical Communications:** The combined company will provide a full line and scalable supply of high performance Datacom transceivers, products based on coherent transmission technology and ROADM solutions based on more than 30 years of industry leadership. It will market products into next-generation undersea, long-haul and metro networks, hyperscale datacenters and in 5G optical infrastructure.
- **Compelling Platform for 3D Sensing & LiDAR:** The combined optoelectronics technology leadership based on GaAs and InP compound semiconductor laser design platforms, together with one of the world's largest 6-inch vertically integrated epitaxial growth and device fabrication manufacturing platforms, will enable faster time to market for a greater number of opportunities in 3D sensing and LiDAR.
- **Combined Capabilities Unlock Access to Larger Markets:** The broad portfolio of differentiated engineered materials, including GaAs, InP, SiC, GaN and diamond together with a critical mass of optoelectronic, optical and integrated circuit device design expertise and related intellectual property, will unlock access to larger markets in RF devices for next-generation wireless and military applications, as well as power electronics for electric cars and green energy.
- **Maximizing Value Creation through Vertical Integration:** Deep vertical integration of core technologies ranging from engineered materials to high value-add solutions, enabled by differentiated components, will provide the combined company with a strong foundation to capitalize on a broad range of emerging opportunities while making the overall markets even more competitive.

Driving Enhanced Financial Performance

In addition to the compelling strategic benefits, the combination of II-VI and Finisar will:

- **Accelerate Revenue Growth:** On a pro forma basis, the combined company had approximately \$2.5 billion of annual revenue. The combined broad base of talent, technology and manufacturing is expected to enhance the ability to better address near-to medium-term opportunities and accelerate revenue growth.
- **Provide Significant Synergy Potential:** The combined company expects to realize \$150 million of run-rate cost synergies within 36 months of closing. Synergies are expected to be achieved from procurement savings, internal supply of materials and components, efficient research and development, consolidation of overlapping costs and sales and marketing efficiencies.
- **Strengthen Earnings Accretion:** The transaction is expected to drive accretion in Non-GAAP earnings per share for the first full year post close of approximately 10% and more than double that thereafter.

Transaction Details

II-VI intends to fund the cash consideration with a combination of cash on hand from the combined companies' balance sheets and \$2 billion in funded debt financing. The transaction is expected to close in the middle of calendar year 2019, subject to approval by each company's shareholders, antitrust regulatory approvals and other customary closing conditions.

Management and Board of Directors

Upon closing of the transaction, Dr. Mattera will continue to serve as President and CEO of the combined company.

In addition, in connection with the closing of the transaction, three Finisar board members will be appointed to the II-VI Board, which will be expanded to 11 directors.

Advisors

BofA Merrill Lynch served as the exclusive financial advisor to II-VI, and K&L Gates LLP and Sherrard, German and Kelly, P.C. served as legal advisors to II-VI. Barclays served as exclusive financial advisor to Finisar and O'Melveny & Myers LLP served as legal advisor to Finisar.

Webcast Information

The companies will host a conference call at 8:00 AM Eastern Time on Friday, November 9, 2018 to discuss this announcement. Presentation

materials for the call are posted on II-VI's website at <https://www.ii-vi.com/>. The conference call will be broadcast live over the internet and can be accessed by all interested parties from II-VI's website at <https://www.ii-vi.com/>, as well as at <https://edge.media-server.com/m6/p/wtsezmp>. A replay of the webcast will be available for two weeks following the call.