



EMCORE Corporation Announces Financial Results for Fiscal Second Quarter Ended March 31, 2019

May 8, 2019

- **Consolidated Q2 revenue of \$21.7 million**
- **Consolidated Q2 GAAP operating loss of \$5.5 million and Non-GAAP operating loss of \$2.2 million**
- **GAAP pre-tax EPS from continuing operations of \$(0.18) and Non-GAAP pre-tax EPS from continuing operations of \$(0.07)**

ALHAMBRA, Calif., May 08, 2019 (GLOBE NEWSWIRE) -- EMCORE Corporation (NASDAQ: EMKR - News), a leading provider of advanced *Mixed-Signal Optics* products that provide the foundation for today's high-speed communications network infrastructures and leading-edge defense systems, today announced financial results for its fiscal second quarter ended March 31, 2019.

"In the second quarter, we continued to deliver on our revenue diversification initiatives with navigation product revenue doubling year over year," Jeffrey Rittichier, EMCORE's President and CEO commented. "On the operations front, we eliminated the cost related to the L-EML transition which had been a headwind in prior quarters, resulting in sequential gross margin improvement despite seasonal softness in volumes."

Financial Highlights - Fiscal Second Quarter Ended March 31, 2019

Financial Highlights

(in thousands)

	For the Three Months Ended		
	March 31, 2019	December 31, 2018	March 31, 2018
Revenue	\$ 21,745	\$ 24,001	\$ 18,623
GAAP Gross Profit	\$ 5,809	\$ 5,808	\$ 4,947
Non-GAAP Gross Profit	\$ 5,932	\$ 5,933	\$ 5,078
GAAP Operating loss	\$ (5,507)	\$ (5,804)	\$ (3,929)
Non-GAAP Operating (loss) income	\$ (2,196)	\$ (2,637)	\$ (2,235)
GAAP pre-tax loss	\$ (4,979)	\$ (5,523)	\$ (3,240)
Non-GAAP pre-tax (loss) income	\$ (1,972)	\$ (2,370)	\$ (2,072)
GAAP pre-tax EPS - per diluted share	\$ (0.18)	\$ (0.20)	\$ (0.12)
Non-GAAP pre-tax EPS - per diluted share	\$ (0.07)	\$ (0.09)	\$ (0.08)

Financial Statement Highlights for the Second Quarter of Fiscal 2019:

- Consolidated revenue was \$21.7 million, representing a 9.4% decrease from the prior quarter
- Consolidated GAAP gross margin was 26.7%, representing an increase from 24.2% in the prior quarter
- Consolidated Non-GAAP gross margin was 27.3%, representing an increase from 24.7% in the prior quarter
- Consolidated GAAP operating margin was (25.3)%, representing a decrease from (24.2)% in the prior quarter
- Consolidated Non-GAAP operating margin was (10.1)%, representing an increase from (11.0)% in the prior quarter
- GAAP diluted pre-tax EPS was \$(0.18), representing an increase from \$(0.20) in the prior quarter
- Non-GAAP diluted pre-tax EPS was \$(0.07), representing an increase from \$(0.09) in the prior quarter
- Cash and cash equivalents were \$50.6 million at the end of the quarter, a decrease of \$6.7 million when compared to the end of the prior quarter

Business Outlook

The Company expects revenue for the fiscal third quarter ending June 30, 2019 to be in the range of \$21 to \$23 million.

Conference Call

The Company will discuss its financial results on May 8, 2019 at 8:00 a.m. ET (5:00 a.m. PT). The call will be available by dialing 877-260-1479. For international callers, please dial +1 334-323-0522. The conference passcode number is 8369763. The call will be webcast live via the Company's website at <http://investor.emcore.com/events.cfm>. A webcast will be available for replay beginning Wednesday, May 8, 2019 for at least 90 days following the conclusion of the call on the Company's website.

About EMCORE

EMCORE Corporation is a leading provider of advanced *Mixed-Signal Optics* products that provide the foundation for today's high-speed communication network infrastructures and leading-edge defense systems. Our optical chips, components, subsystems and systems enable broadband and wireless providers to continually enhance their network capacity, speed and coverage to advance the free flow of information that empowers the lives of millions of people daily. The *Mixed-Signal Optics* technology at the heart of our broadband transmission products is shared with our fiber optic gyros and military communications links to provide the aerospace and defense markets state-of-the-art systems that keep us safe in an increasingly unpredictable world. EMCORE's performance-leading optical components and systems serve a broad array of applications including cable television, fiber-to-the-premise networks, telecommunications, data centers, wireless infrastructure, satellite RF fiber links, navigation systems and military communications. EMCORE has fully vertically-integrated manufacturing capability through its world-class Indium Phosphide (InP) wafer

fabrication facility at our headquarters in Alhambra, California and is ISO 9001 certified in Alhambra and at our facility in Beijing, China. For further information about EMCORE, visit <http://www.emcore.com>.

Use of Non-GAAP Financial Measures

We disclose non-GAAP gross profit, gross margin percentage, operating income (loss), operating margin percentage, pre-tax EPS and pre-tax income (loss) as a supplemental measure to U.S. GAAP gross profit, gross margin percentage, operating income (loss), operating margin percentage, pre-tax EPS and pre-tax income (loss) regarding our operational performance. These financial measures exclude the impact of certain items that we do not believe are indicative of our core operating results; therefore, they have not been calculated in accordance with U.S. GAAP. A reconciliation of non-GAAP pre-tax income (loss) to GAAP income (loss), which identifies the items excluded from the non-GAAP measures, are provided in the table below titled "Reconciliation of GAAP to Non-GAAP Financial Measures".

We believe that these additional non-GAAP financial measures are useful to investors in assessing our operating performance. We also use these financial measures internally to evaluate our operating performance and for planning and forecasting of future periods. In addition, financial analysts that follow us may focus on and publish both historical results and future projections based on our non-GAAP financial measures. We also believe that it is in the best interests of our investors to provide this non-GAAP information.

While we believe that these non-GAAP financial measures provide useful supplemental information to investors, there are limitations associated with the use of these non-GAAP financial measures. Our non-GAAP financial measures may not be reported by all of our competitors and they may not be directly comparable to similarly titled measures of other companies due to potential differences in calculation. We compensate for these limitations by using these non-GAAP financial measures as a supplement to U.S. GAAP and by providing a reconciliation of our non-GAAP financial measures to the most comparable U.S. GAAP financial measures.

Non-GAAP financial measures are not in accordance with or an alternative for U.S. GAAP. Our non-GAAP financial measures are not meant to be considered in isolation or as a substitute for comparable U.S. GAAP financial measures and our disclosures of these measures should be read only in conjunction with our consolidated financial statements prepared in accordance with U.S. GAAP.

Forward-Looking Statements

The information provided herein may include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 ("Exchange Act"). These forward-looking statements are largely based on our current expectations and projections about future events and financial trends affecting the financial condition of our business. Such forward-looking statements include, in particular, projections about our future results included in our Exchange Act reports, statements about our plans, strategies, business prospects, changes and trends in our business and the markets in which we operate.

These forward-looking statements may be identified by the use of terms and phrases such as "anticipates", "believes", "can", "could", "estimates", "expects", "forecasts", "intends", "may", "plans", "projects", "targets", "will", and similar expressions or variations of these terms and similar phrases. Additionally, statements concerning future matters such as the development of new products, enhancements or technologies, sales levels, expense levels and other statements regarding matters that are not historical are forward-looking statements. We caution that these forward-looking statements relate to future events or our future financial performance and are subject to business, economic, and other risks and uncertainties, both known and unknown, that may cause actual results, levels of activity, performance or achievements of our business or our industry to be materially different from those expressed or implied by any forward-looking statements.

These forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those projected, including without limitation, the following: (a) the rapidly evolving markets for the Company's products and uncertainty regarding the development of these markets; (b) the Company's historical dependence on sales to a limited number of customers and fluctuations in the mix of products and customers in any period; (c) delays and other difficulties in commercializing new products; (d) the failure of new products: (i) to perform as expected without material defects, (ii) to be manufactured at acceptable volumes, yields, and cost, (iii) to be qualified and accepted by our customers, and (iv) to successfully compete with products offered by our competitors; (e) uncertainties concerning the availability and cost of commodity materials and specialized product components that we do not make internally; (f) actions by competitors; and (g) other risks and uncertainties discussed under Item 1A - Risk Factors in our Annual Report on Form 10-K for the fiscal year ended September 30, 2018, as updated by our subsequent periodic reports.

Forward-looking statements are based on certain assumptions and analysis made in light of our experience and perception of historical trends, current conditions and expected future developments as well as other factors that we believe are appropriate under the circumstances. While these statements represent our judgment on what the future may hold, and we believe these judgments are reasonable, these statements are not guarantees of any events or financial results. All forward-looking statements in this press release are made as of the date hereof, based on information available to us as of the date hereof, and subsequent facts or circumstances may contradict, obviate, undermine, or otherwise fail to support or substantiate such statements. We caution you not to rely on these statements without also considering the risks and uncertainties associated with these statements and our business that are addressed in our filings with the Securities and Exchange Commission ("SEC") that are available on the SEC's web site located at www.sec.gov, including the sections entitled "Risk Factors" in our Annual Report on Form 10-K and our Quarterly Reports on Form 10-Q. Certain information included in this press release may supersede or supplement forward-looking statements in our other Exchange Act reports filed with the SEC. We assume no obligation to update any forward-looking statement to conform such statements to actual results or to changes in our expectations, except as required by applicable law or regulation.

EMCORE CORPORATION
Condensed Consolidated Statements of Operations
(in thousands, except per share data)
(unaudited)

	For the Three Months Ended		
	March 31, 2019	December 31, 2018	March 31, 2018
Revenue	\$ 21,745	\$ 24,001	\$ 18,623
Cost of revenue	15,936	18,193	13,676
Gross profit	5,809	5,808	4,947

Operating expense:				
Selling, general, and administrative	6,996		7,593	5,644
Research and development	4,360		4,019	3,300
Loss from change in estimate on ARO obligation	(40)	—	—
(Gain) loss on sale of assets	—		—	(68
Total operating expense	11,316		11,612	8,876
Operating loss	(5,507	)	(5,804	) (3,929
Other income (expense):				
Interest income, net	224		267	163
Foreign exchange gain (loss)	304		14	526
Other income	—		—	—
Total other income (expense)	528		281	689
Loss before income tax (expense) benefit	(4,979	)	(5,523	) (3,240
Income tax (expense) benefit	(15	)	(15	) 169
Net (loss) income	\$ (4,994	)	\$ (5,538	) \$ (3,071
Per share data:				
Net loss per basic and diluted share	\$ (0.18	)	\$ (0.20	) \$ (0.11
Weighted-average number of basic and diluted shares outstanding	27,652		27,534	27,197

EMCORE CORPORATION
Condensed Consolidated Balance Sheets
(in thousands)
(unaudited)

	As of March 31, 2019	As of September 30, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 50,604	\$ 63,117
Restricted cash	33	78
Accounts receivable, net	20,131	19,275
Inventory	20,672	20,850
Prepaid expenses and other current assets	16,392	12,730
Total current assets	107,832	116,050
Property, plant, and equipment, net	21,095	18,216
Non-current inventory	1,114	1,433
Other non-current assets, net	84	199
Total assets	\$ 130,125	\$ 135,898
LIABILITIES and SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 13,321	\$ 12,997
Accrued expenses and other current liabilities	17,381	14,205
Total current liabilities	30,702	27,202
Asset retirement obligations	1,836	1,809
Other long-term liabilities	96	82
Total liabilities	32,634	29,093
Shareholders' equity:		
Common stock	735,257	734,066
Treasury stock	(47,721	) (47,721
Accumulated other comprehensive income	912	885
Accumulated deficit	(590,957	) (580,425
Total shareholders' equity	97,491	106,805
Total liabilities and shareholders' equity	\$ 130,125	\$ 135,898

We have provided a reconciliation of our non-GAAP pre-tax income (loss) financial measure to its most directly comparable U.S. GAAP financial measure as indicated in the table below:

EMCORE Corporation
RECONCILIATION OF GAAP TO NON-GAAP FINANCIAL MEASURES
(in thousands, except per share data)
(unaudited)

	For the Three Months Ended		
	March 31, 2019	December 31, 2018	March 31, 2018
US GAAP net loss	\$ (4,994)	\$ (5,538)	\$ (3,071)
Income tax expense (benefit)	15	15	(169)
Other income	—	—	—
Foreign exchange (gain) loss	(304)	(14)	(526)
Total other income & tax related adjustments	(289)	1	(695)
Stock based compensation expense - R&D	139	155	166
Stock based compensation expense - SG&A	473	159	652
Litigation and strategic planning related expenses	2,635	2,671	174
Severance and restructuring charges	(19)	57	639
Loss (gain) from change in estimate on ARO obligation	(40)	—	—
(Gain) loss on sale of assets	—	—	(68)
Total operating expense adjustments	3,188	3,042	1,563
ARO accretion	14	14	16
Stock based compensation expense - COGS	109	111	115
Total COGS adjustments	123	125	131
Non-GAAP pre-tax (loss) income	\$ (1,972)	\$ (2,370)	\$ (2,072)
GAAP EPS - per diluted share	\$ (0.18)	\$ (0.20)	\$ (0.11)
Other income and tax related adjustments	(0.01)	0.00	(0.03)
Operating expense adjustments	0.12	0.11	0.06
COGS adjustments	0.00	0.00	0.00
Non-GAAP pre-tax EPS - per diluted share	\$ (0.07)	\$ (0.09)	\$ (0.08)
GAAP Gross Margin Percentage	26.7 %	24.2 %	26.6 %
Non GAAP Gross Margin Percentage	27.3 %	24.7 %	27.3 %
GAAP Operating Margin Percentage	(25.3)%	(24.2)%	(21.1)%
Non GAAP Operating Margin Percentage	(10.1)%	(11.0)%	(12.0)%

Stock-based compensation expense

The effect of recording stock-based compensation expense was as follows:

Stock-based Compensation Expense

(in thousands)

	For the Three Months Ended		
	March 31, 2019	December 31, 2018	March 31, 2018
Cost of revenue	\$ 109	\$ 111	\$ 115
Selling, general, and administrative	473	159	652
Research and development	139	155	166
Total stock-based compensation expense	\$ 721	\$ 425	\$ 933

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