

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one):

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the quarterly period ended June 30, 2000

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 0-22175

EMCORE CORPORATION
(Exact name of Registrant as specified in its charter)

NEW JERSEY
(State or other jurisdiction of incorporation or organization)

22-2746503
(IRS Employer Identification No.)

145 BELMONT DRIVE
SOMERSET, NJ 08873
(Address of principal executive offices) (zip code)

(732) 271-9090
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes:☒ No:☐

The number of shares of the registrant's Common Stock, no par value, outstanding as of August 1, 2000 was 16,929,390.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

EMCORE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

| | THREE MONTHS ENDED JUNE 30, | | NINE MONTHS ENDED JUNE 30, | |
|-----------------------------|--------------------------------|----------|-------------------------------|----------|
| | 2000 | 1999 | 2000 | 1999 |
| Revenues: | | | | |
| Systems-related..... | \$17,561 | \$12,912 | \$42,908 | \$33,551 |
| Materials-related..... | 12,462 | 4,755 | 27,541 | 10,313 |
| Total revenues..... | 30,023 | 17,667 | 70,449 | 43,864 |
| Cost of revenues: | | | | |
| Systems-related..... | 9,948 | 8,089 | 25,030 | 20,442 |
| Materials-related..... | 7,589 | 1,764 | 16,274 | 4,630 |
| Total cost of revenues..... | 17,537 | 9,853 | 41,304 | 25,072 |

| | | | | |
|---|-----------|-----------|------------|------------|
| Gross profit..... | 12,486 | 7,814 | 29,145 | 18,792 |
| Operating expenses: | | | | |
| Selling, general and administrative..... | 5,919 | 3,650 | 15,914 | 10,018 |
| Goodwill amortization..... | 1,098 | 1,098 | 3,294 | 3,295 |
| Research and development..... | 5,984 | 4,959 | 15,354 | 15,231 |
| Total operating expenses..... | 13,001 | 9,707 | 34,562 | 28,544 |
| Operating loss..... | (515) | (1,893) | (5,417) | (9,752) |
| Other (income) expense: | | | | |
| Stated interest (income) expense, net..... | (1,951) | 290 | (2,644) | 983 |
| Imputed warrant interest expense, non-cash.... | - | 410 | 843 | 1,043 |
| Equity in net loss of unconsolidated affiliates.. | 2,896 | 1,311 | 8,709 | 2,982 |
| Total other expense..... | 945 | 2,011 | 6,908 | 5,008 |
| Loss before extraordinary item..... | (1,460) | (3,904) | (12,325) | (14,760) |
| Extraordinary item..... | - | 1,334 | - | 1,334 |
| Net loss..... | (\$1,460) | (\$5,238) | (\$12,325) | (\$16,094) |
| ===== | | | | |
| PER SHARE DATA: | | | | |
| Loss per basic and diluted share before extraordinary item (see note 4)..... | (\$0.09) | (\$0.40) | (\$0.83) | (\$1.56) |
| Net loss per basic and diluted share (see note 4) | (\$0.09) | (\$0.53) | (\$0.83) | (\$1.70) |
| Weighted average basic and diluted shares outstanding used in per share data calculations..... | 16,529 | 10,175 | 15,082 | 9,665 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS.

EMCORE CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE DATA)

| | AT JUNE 30, ----- 2000 | AT SEPTEMBER 30, ----- 1999 |
|--|------------------------------|-----------------------------------|
| ASSETS | (UNAUDITED) | |
| Current assets: | | |
| Cash and cash equivalents..... | \$120,048 | \$7,165 |
| Accounts receivable, net of allowance for doubtful accounts of \$592 and \$563 at June 30, 2000 and September 30, 1999, respectively..... | 17,757 | 11,423 |
| Accounts receivable, related parties..... | 1,909 | 2,480 |
| Inventories, net..... | 32,457 | 13,990 |
| Other current assets..... | 3,225 | 389 |
| | ----- | ----- |
| Total current assets..... | 175,396 | 35,447 |
| Property, plant and equipment, net..... | 57,233 | 46,282 |
| Goodwill, net..... | 1,832 | 5,126 |
| Investments in unconsolidated affiliates..... | 10,646 | 9,496 |
| Other assets, net..... | 907 | 3,260 |
| | ----- | ----- |
| Total assets..... | \$246,014 | \$99,611 |
| | ===== | ===== |
| LIABILITIES & SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable..... | \$12,833 | \$5,359 |
| Accrued expenses..... | 5,099 | 4,173 |
| Advanced billings..... | 14,822 | 4,350 |
| Capital lease obligations - current..... | 214 | 713 |
| Other current liabilities..... | 318 | 162 |
| | ----- | ----- |
| Total current liabilities..... | 33,286 | 14,757 |
| Convertible subordinated debenture..... | - | 7,800 |
| Capital lease obligations, net of current portion.... | 88 | 141 |
| Other liabilities..... | 1,305 | 1,097 |
| | ----- | ----- |
| Total liabilities..... | 34,679 | 23,795 |
| | ----- | ----- |
| Mandatorily redeemable, convertible preferred stock, no shares issued and outstanding at June 30, 2000; 1,030,000 shares issued and outstanding at September 30, 1999..... | - | 14,193 |
| Shareholders' Equity: | | |
| Preferred stock, \$.0001 par value, 5,882,353 shares authorized | - | - |
| Common stock, no par value, 50,000,000 shares authorized, 16,916,958 shares issued and outstanding at June 30, 2000; 13,353,807 shares issued and outstanding at September 30, 1999 | 313,460 | 152,426 |
| Accumulated deficit..... | (95,765) | (83,256) |
| Notes receivable from warrant issuances and stock sales | (6,360) | (7,547) |
| | ----- | ----- |
| Total shareholders' equity..... | 211,335 | 61,623 |
| | ----- | ----- |
| Total shareholders' equity and mandatorily redeemable, convertible preferred stock..... | 211,335 | 75,816 |
| | ----- | ----- |
| Total liabilities, shareholders' equity and mandatorily redeemable, convertible preferred stock..... | \$246,014 | \$99,611 |
| | ===== | ===== |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONDENSED
CONSOLIDATED FINANCIAL STATEMENTS.

EMCORE CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

| | NINE MONTHS ENDED JUNE 30, | |
|---|----------------------------|------------|
| | 2000 | 1999 |
| OPERATING ACTIVITIES: | | |
| Net loss..... | (\$12,325) | (\$16,094) |
| Adjustments to reconcile net loss to net cash used for operating activities: | | |
| Depreciation and amortization..... | 11,574 | 8,501 |
| Provision for doubtful accounts..... | 240 | 180 |
| Provision for inventory valuation..... | 426 | - |
| Detachable warrant accretion and debt issuance cost amortization..... | 843 | 1,042 |
| Equity in net loss of unconsolidated affiliates..... | 8,346 | 2,982 |
| Deferred gain on sales to an unconsolidated affiliate..... | 364 | 1,259 |
| Compensatory stock issuances..... | 392 | 320 |
| Extraordinary loss on early retirement of debt..... | - | 1,334 |
| Change in assets and liabilities: | | |
| Accounts receivable - trade..... | (6,596) | (3,692) |
| Accounts receivable - related parties..... | 571 | (2,177) |
| Inventories..... | (18,892) | (903) |
| Other current assets..... | (2,814) | (84) |
| Other assets..... | (221) | 281 |
| Accounts payable..... | 7,480 | (5,144) |
| Accrued expenses..... | 903 | 183 |
| Advanced billings..... | 10,472 | 492 |
| Other liabilities..... | - | (53) |
| Total adjustments..... | 13,088 | 4,521 |
| Net cash provided by (used for) operating activities..... | 763 | (11,573) |
| INVESTING ACTIVITIES: | | |
| Purchase of property, plant, and equipment..... | (19,088) | (13,198) |
| Investments in unconsolidated affiliates..... | (9,496) | (14,123) |
| Payments of restricted cash..... | - | 62 |
| Net cash used for investing activities..... | (28,584) | (27,259) |
| FINANCING ACTIVITIES: | | |
| Proceeds from public stock offering, net of \$8,250 issue costs... | 127,750 | - |
| Proceeds from public stock offering, net of \$5,000 issue costs... | - | 52,000 |
| Proceeds from preferred stock offering, net of \$500 issue costs.. | - | 21,200 |
| Proceeds from convertible subordinated debenture..... | - | 7,800 |
| Payments under notes payable - related party, net..... | - | (7,000) |
| Payments under bank loans..... | - | (17,950) |
| Payments on demand note facility and subordinated debt..... | - | (8,563) |
| Payments on capital lease obligations..... | (611) | (410) |
| Proceeds from exercise of stock options..... | 1,636 | 264 |
| Dividends paid on mandatorily redeemable, convertible preferred stock..... | (133) | (248) |
| Proceeds from exercise of stock purchase warrants..... | 10,875 | 2,134 |
| Proceeds from shareholders' notes receivable..... | 1,187 | - |
| Net cash provided by financing activities..... | 140,704 | 49,227 |
| Net increase in cash and cash equivalents..... | 112,883 | 10,395 |
| Cash and cash equivalents, beginning of period..... | 7,165 | 4,456 |
| Cash and cash equivalents, end of period..... | 120,048 | 14,851 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid during the period for interest..... | \$4 | \$705 |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

EMCORE CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED SEPTEMBER 30, 1998 AND 1999
AND THE NINE MONTHS ENDED JUNE 30, 2000
(UNAUDITED) (IN THOUSANDS)

| | Common Shares | Stock Amount | Accumulated Deficit | Shareholders' Notes Receivable | Total Shareholders' Equity |
|---|------------------|--------------------|------------------------|--------------------------------------|----------------------------------|
| BALANCE AT SEPTEMBER 30, 1997 | 6,000 | \$45,817 | (\$23,777) | (\$209) | \$21,831 |
| Issuance of common stock purchase warrants | - | 1,310 | - | - | 1,310 |
| Issuance of common stock on exercise of warrants in exchange for notes receivable | 1,828 | 7,458 | - | (7,458) | - |
| Issuance of common stock and common stock purchase options and warrants in connection with the acquisition of MODE..... | 1,462 | 32,329 | - | - | 32,329 |
| Stock option exercise..... | 36 | 83 | - | - | 83 |
| Stock purchase warrant exercise..... | 6 | 23 | - | - | 23 |
| Issuance of common stock on exercise of warrants in exchange for subordinated notes | 18 | 72 | - | - | 72 |
| Compensatory stock issuance..... | 26 | 351 | - | - | 351 |
| Net loss..... | - | - | (36,419) | - | (36,419) |
| BALANCE AT SEPTEMBER 30, 1998 | 9,376 ===== | \$87,443 ===== | (\$60,196) ===== | (\$7,667) ===== | \$19,580 ===== |
| Issuance of common stock from public offering, net of issuance costs of \$5,000..... | 3,000 | 52,000 | - | - | 52,000 |
| Stock purchase warrant exercise..... | 322 | 2,450 | - | - | 2,450 |
| Issuance of common stock purchase warrants | - | 2,596 | - | - | 2,596 |
| Redemption of shareholders' notes receivable | - | - | - | 120 | 120 |
| Conversion of mandatorily redeemable convertible preferred stock into common stock..... | 520 | 7,125 | - | - | 7,125 |
| Compensatory stock issuance..... | 26 | 436 | - | - | 436 |
| Stock option exercise..... | 110 | 376 | - | - | 376 |
| Preferred stock dividends..... | - | - | (319) | - | (319) |
| Periodic accretion of redeemable preferred stock to mandatory redemption value.... | - | - | (52) | - | (52) |
| Net loss..... | - | - | (22,689) | - | (22,689) |
| BALANCE AT SEPTEMBER 30, 1999 | 13,354 ===== | \$152,426 ===== | (\$83,256) ===== | (\$7,547) ===== | \$61,623 ===== |
| Issuance of common stock from public offering, net of issuance costs of \$8,250..... | 1,000 | 127,750 | - | - | 127,750 |
| Stock purchase warrant exercise..... | 977 | 10,875 | - | - | 10,875 |
| Redemption of shareholders' notes receivable | - | - | - | 1,187 | 1,187 |
| Conversion of mandatorily redeemable convertible preferred stock into common stock..... | 1,030 | 14,167 | - | - | 14,167 |
| Conversion of convertible subordinated debenture, net of issuance costs of \$2,275 | 341 | 5,525 | - | - | 5,525 |
| Compensatory stock issuances..... | 9 | 392 | - | - | 392 |
| Issuance of common stock purchase warrants | - | 689 | - | - | 689 |
| Stock option exercise..... | 206 | 1,636 | - | - | 1,636 |
| Preferred stock dividends..... | - | - | (82) | - | (82) |
| Periodic accretion of redeemable preferred stock to mandatory redemption value.... | - | - | (41) | - | (41) |
| Unrealized loss on investments..... | - | - | (61) | - | (61) |
| Net loss..... | - | - | (12,325) | - | (12,325) |
| BALANCE AT JUNE 30, 2000 | 16,917 ===== | \$313,460 ===== | (\$95,765) ===== | (\$6,360) ===== | \$211,335 ===== |

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

EMCORE CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. INTERIM FINANCIAL INFORMATION AND DESCRIPTION OF BUSINESS

The accompanying unaudited condensed consolidated financial statements of EMCORE Corporation ("EMCORE" or the "Company") reflect all adjustments considered necessary by management to present fairly the Company's consolidated financial position as of June 30, 2000, the consolidated results of operations for the three- and nine-month periods ended June 30, 2000 and 1999, and the consolidated cash flows for the nine-month periods ended June 30, 2000 and 1999. All adjustments reflected in the accompanying unaudited condensed consolidated financial statements are of a normal recurring nature unless otherwise noted. Prior period balances have been reclassified to conform with the current period financial statement presentation. The results of operations for the three- and nine-month periods ended June 30, 2000 are not necessarily indicative of the results for the fiscal year ending September 30, 2000 or any future interim period.

EMCORE has two reportable operating segments: the systems-related business unit and the materials-related business unit. The systems-related business unit designs, develops and manufactures tools and manufacturing processes used to fabricate compound semiconductor wafer and devices. This business unit assists our customers with device design, process development and optimal configuration of TurboDisc production systems. Revenues for the systems-related business unit consist of sales of EMCORE's TurboDisc(R) production systems as well as spare parts and services related to these systems. The materials-related business unit designs, develops and manufactures compound semiconductor materials. Revenues for the materials-related business unit include sales of semiconductor wafers, devices and process development technology. EMCORE's vertically-integrated product offering allows it to provide a complete compound semiconductor solution to its customers. The segments reported are the segments of the Company for which separate financial information is available and for which gross profit amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance. The Company does not allocate assets or operating expenses to the individual operating segments. There are no intercompany sales transactions between the two operating segments. Available segment information has been presented in the Statements of Operations.

NOTE 2. JOINT VENTURES

In May 1999, General Electric Lighting and the Company formed GELcore, a joint venture to develop and market High Brightness Light-Emitting Diode ("HB LED") lighting products. General Electric Lighting and the Company have agreed that this joint venture will be the exclusive vehicle for each party's participation in solid state lighting. Under the terms of the joint venture agreement, the Company has a 49% non-controlling interest in the GELcore venture and accounts for its investment under the equity method of accounting. In June 2000, the Company invested an additional \$3.9 million in this venture. For the nine-month period ended June 30, 2000, the Company recognized a loss of \$3.7 million related to this joint venture which has been recorded as a component of other income and expense. As of June 30, 2000, the Company's net investment in this joint venture amounted to \$5.6 million.

In March 1997, the Company and a subsidiary of Uniroyal Technology Corporation formed Uniroyal Optoelectronics LLC, a joint venture, to manufacture, sell and distribute HB LED wafers and package-ready devices. Under the terms of the joint venture agreement, the Company has a 49% non-controlling interest in this joint venture and accounts for its investment under the equity method of accounting. During the three months ended June 30, 2000, the Company invested an additional \$2.4 million in this venture. For the nine months ended June 30, 2000, the Company recognized a loss of \$5.0 million related to this joint venture, which has been recorded as a component of other income and expense. As of June 30, 2000, the Company's net investment in this joint venture amounted to \$5.1 million.

NOTE 3. INVENTORIES

The components of inventories, net of reserves, consisted of the following:

| (Amounts in thousands) | As of June 30, 2000 ----- | As of September 30, 1999 ----- |
|------------------------|---------------------------------|--------------------------------------|
| Raw materials..... | \$15,122 | \$9,146 |
| Work-in-process..... | 14,659 | 3,620 |

| | | |
|---------------------|----------|----------|
| Finished goods..... | 2,676 | 1,224 |
| | ----- | ----- |
| Total | \$32,457 | \$13,990 |
| | ===== | ===== |

NOTE 4. EARNINGS PER SHARE

The Company accounts for earnings per share under the provision of Statement of Financial Accounting Standards No. 128 "Earnings per share". Basic earnings per common share were calculated by dividing net loss by the weighted average number of common stock shares outstanding during the period. The effect of outstanding common stock purchase options and warrants have been excluded from the earnings per share calculation since the effects of such securities are anti-dilutive. The following table reconciles the number of shares utilized in the earnings per share calculations for the three- and nine-month periods ending June 30, 2000 and 1999, respectively.

| | Three Months Ended June 30, | | Nine Months Ended June 30, | |
|---|--------------------------------|-----------------|-------------------------------|-----------------|
| | 2000 | 1999 | 2000 | 1999 |
| | ---- | ---- | ---- | ---- |
| Loss before extraordinary item..... | (\$1,460) | (\$3,904) | (\$12,325) | (\$14,760) |
| Extraordinary item, loss on early retirement of debt..... | - | (1,334) | - | (1,334) |
| | - | ----- | - | ----- |
| Net loss..... | (1,460) | (5,238) | (12,325) | (16,094) |
| Preferred stock dividends..... | - | (102) | (82) | (248) |
| Periodic accretion of redeemable preferred stock to mandatory redemption value..... | - | (17) | (41) | (41) |
| | - | ---- | ---- | ---- |
| Net loss attributable to common shareholders..... | <u>(1,460)</u> | <u>(5,357)</u> | <u>(12,448)</u> | <u>(16,383)</u> |
| Loss per basic and diluted share before extraordinary item..... | <u>(\$0.09)</u> | <u>(\$0.40)</u> | <u>(\$0.83)</u> | <u>(\$1.56)</u> |
| Net loss per basic and diluted share..... | <u>(\$0.09)</u> | <u>(\$0.53)</u> | <u>(\$0.83)</u> | <u>(\$1.70)</u> |
| Weighted average of outstanding common shares - basic..... | 16,529 | 10,175 | 15,082 | 9,665 |
| Effect of dilutive securities: | | | | |
| Stock option and warrants..... | - | - | - | - |
| | - | - | - | - |
| Weighted average of outstanding common shares - diluted..... | <u>16,529</u> | <u>10,175</u> | <u>15,082</u> | <u>9,665</u> |

NOTE 5. RELATED PARTIES

The President of Hakuto Co. Ltd. ("Hakuto"), the Company's Asian distributor, is a member of the Company's Board of Directors and Hakuto is a minority shareholder of the Company. During the nine months ended June 30, 2000 and 1999, sales made through Hakuto amounted to approximately \$6.7 million and \$7.3 million, respectively.

ITEM 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary statement identifying important factors that could cause EMCORE's actual results to differ from those projected in forward-looking statements:

In connection with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, you are advised that this report contains both statements of historical facts and forward-looking statements.

This report includes forward-looking statements that reflect current expectations or beliefs of EMCORE concerning future results and events. The words "expects," "intends," "believes," "anticipates," "likely," "will", and similar expressions often identify forward-looking statements. These forward-looking statements are subject to certain risks and uncertainties that could cause actual results and events to differ materially from those anticipated in the forward-looking statements. Factors that might cause such a difference include, but are not limited to: cancellations, rescheduling or delays in product shipments; manufacturing capacity constraints; lengthy sales and qualification cycles; difficulties in the production process; changes in semiconductor industry growth, increased competition, delays in developing and commercializing new products, and other factors described in EMCORE's filings with the Securities and Exchange Commission. The forward-looking statements contained in this report are made as of the date hereof and EMCORE does not assume any obligation to update the reasons why actual results could differ materially from those projected in the forward-looking statements.

OVERVIEW:

EMCORE designs, develops and manufactures compound semiconductor materials and is a leading developer and manufacturer of the tools and manufacturing processes used to fabricate compound semiconductor wafers and devices. EMCORE's products are used for a wide variety of applications in the communications (data, satellite, telecommunications and wireless), consumer and automotive electronics, computers and peripherals and lighting markets. EMCORE provides its customers with a broad range of compound semiconductor products and services intended to meet their diverse technology requirements.

EMCORE has developed extensive materials science expertise, process technology and MOCVD production systems to address its customers' needs and believes that its proprietary TurboDisc(R) deposition technology makes possible one of the most cost-effective production processes for the commercial volume manufacture of high-performance compound semiconductor wafers and devices. This platform technology provides the basis for the production of various types of compound semiconductor wafers and devices and enables EMCORE to address the critical need of manufacturers to cost-effectively get to the market faster with high volumes of new and improved high-performance products. EMCORE's compound semiconductor products and services include:

- o development of materials and processes;
- o design and development of devices;
- o fabrication and assembly of MOCVD production systems; and
- o manufacture of wafers and devices in high volumes.

Customers can take advantage of EMCORE's vertically integrated approach by purchasing custom-designed wafers and devices from EMCORE or they can manufacture their own devices in-house using a TurboDisc production system configured to their specific needs. Our customers include Agilent Technologies, Inc. ("Agilent"), AMP, Inc., General Motors Corp., Hewlett Packard Co., Hughes-Spectrolab, JDS Uniphase Corp. ("JDS Uniphase"), Loral Space & Communications, Lucent Technologies, Inc., Motorola, Inc., Siemens AG's Osram and 12 of the largest electronics manufacturers in Japan.

In order to facilitate the development and manufacture of new products in targeted growth areas, EMCORE has established a number of strategic relationships through joint ventures, long-term supply agreements and an acquisition. The most significant strategic relationships are summarized below:

- o In June 2000, EMCORE and JDS Uniphase executed a Joint Development Manufacturing and Marketing Agreement (the "Agreement"). Under the Agreement, EMCORE and JDS Uniphase will jointly develop, manufacture and market a family of fiberoptic array transceivers based on EMCORE's laser technology that facilitates light to logic (electronic signal in/modulated light signal out) for fiberoptic communications solutions used in switches, routers and computer backplanes for OC-192, OC-768 and other proprietary network designs. EMCORE will manufacture VCSEL arrays and design gigabit speed control circuits, photodetectors, optical links and other components. JDS Uniphase will handle all

marketing, worldwide sales, application support, customer service and distribution functions and will assist EMCORE with technical support for the optical packaging and testing for the products. The initial product developed and commercialized in this alliance with JDS Uniphase will be an array transceiver with twelve channels each operating at 1.25 Gigabits/second, yielding a compact, high speed data link. These products are designed to make possible short distance links between dense wavelength division multiplexing systems (DWDM), high-speed routers and SONET (long-haul telecommunications) equipment. EMCORE expects to begin shipping samples of an array transceiver by the fourth calendar quarter of 2000;

- o In May 2000, EMCORE signed an agreement with Motorola to meet their requirements for epitaxial tools, wireless electronic materials and technology. This relationship includes supplying Motorola with epitaxial process technology and multiple MOCVD production tools, as well as purchase orders for electronic device epitaxial wafers. Motorola also announced that EMCORE was awarded their Standard Supplier Designation, making EMCORE the only qualified supplier of MOCVD tools for Motorola's compound semiconductor factories;
- o In January 2000, EMCORE entered into a three-year supply agreement with Agilent, a leading supplier of fiberoptic transceivers and integrated circuits for infrastructure products for the Internet. Under this agreement, EMCORE will manufacture Gigarray(R) VCSEL arrays for use in parallel optical transceivers. The initial purchase order under the agreement is contingent upon EMCORE's development of a component that meets Agilent's specifications. EMCORE began shipping sample products in the quarter ended June 30, 2000, with full commercial shipments commencing by calendar year-end;
- o In May 1999, EMCORE and General Electric Lighting formed GELcore, a joint venture to develop and market HB LED lighting products. General Electric Lighting and EMCORE have agreed that this joint venture will be the exclusive vehicle for each party's participation in solid state lighting. GELcore seeks to combine EMCORE's materials science expertise, process technology and compound semiconductor production systems with General Electric Lighting's brand name recognition and extensive marketing and distribution capabilities. GELcore's long-term goal is to develop products to replace traditional lighting. EMCORE has invested \$11.7 million in GELcore and has seconded various employees to the joint venture to assist in the development of products;
- o In November 1998, EMCORE signed a long-term supply agreement with Space Systems/Loral, a wholly owned subsidiary of Loral Space & Communications. Under this agreement, EMCORE supplies compound semiconductor high-efficiency gallium arsenide solar cells for Loral's satellites. EMCORE began shipping solar cells in December 1999 and has already completed initial purchase orders totaling over \$11.9 million. EMCORE services this agreement through our facility in Albuquerque, New Mexico, which presently employs 102 people, including sales and marketing, administrative and manufacturing personnel;
- o In March 1997, EMCORE and a wholly owned subsidiary of Uniroyal Technology Corporation formed Uniroyal Optoelectronics LLC, a joint venture, to manufacture, sell and distribute HB LED wafers and package-ready devices. This joint venture commenced operations in July 1998. EMCORE has invested over \$12.5 million in Uniroyal Optoelectronics and has seconded various employees to the joint venture to assist in the development of products; and
- o In March 1997, EMCORE acquired MicroOptical Devices, Inc. ("MODE") in a stock transaction accounted for under the purchase method of accounting for a purchase price of \$32.8 million. This acquisition allowed EMCORE to expand its technology base into the data communications and telecommunications markets. MODE, a development stage company, constituted a significant and strategic investment for EMCORE to acquire and gain access to MODE's in-process research and development of micro-optical technology. As part of this acquisition, EMCORE recorded goodwill of approximately \$13.2 million, which is being charged against operations over a three-year period, impacting financial results through December 2000. MODE's operations are located in Albuquerque, New Mexico and presently employs 90 people including sales and marketing, administrative and manufacturing personnel.

EMCORE has generated a significant portion of its sales to customers outside the United States. In fiscal 1997, 1998 and 1999, international sales constituted 42.0%, 39.1% and 52.5%, respectively, of revenues. For the nine months ended June 30, 2000, international sales constituted 37.7% of revenues. EMCORE anticipates that international sales will continue to account for a significant portion of revenues. Historically, EMCORE has received all payments for products and services in U.S. dollars and therefore EMCORE does not anticipate that fluctuations in any currency will have a material effect on its financial condition or results of operations.

The following chart contains a breakdown of EMCORE's worldwide

revenues by geographic region.

| REGION | FOR THE FISCAL YEARS ENDED SEPTEMBER 30, | | | | | | FOR THE NINE MONTHS ENDED | |
|---------------|--|---------------|-------------------|---------------|-------------------|---------------|---------------------------|---------------|
| | 1997 | | 1998 | | 1999 | | JUNE 30, 2000 | |
| | REVENUE | % | REVENUE | % | REVENUE | % | REVENUE | % |
| North America | \$27,690 | 58% | \$26,648 | 61% | \$27,698 | 48% | \$43,910 | 62% |
| Asia | 14,584 | 31% | 15,527 | 35% | 28,211 | 48% | 21,603 | 31% |
| Europe | 5,478 | 11% | 1,585 | 4% | 2,432 | 4% | 4,936 | 7% |
| TOTAL | \$47,752 ===== | 100% ===== | \$43,760 ===== | 100% ===== | \$58,341 ===== | 100% ===== | \$70,449 ===== | 100% ===== |

As of June 30, 2000, EMCORE had an order backlog of \$105.0 million scheduled to be shipped through June 30, 2001. This represents an increase of \$61.9 million or 143.6% since September 30, 1999. EMCORE includes in backlog only customer purchase orders that have been accepted by EMCORE and for which shipment dates have been assigned within the 12 months to follow and research contracts that are in process or awarded. Wafer and device agreements extending longer than one year in duration are included in backlog only for the ensuing 12 months. EMCORE receives partial advance payments or irrevocable letters of credit on most production system orders.

EMCORE has two reportable operating segments: the systems-related business unit and the materials-related business unit. The systems-related business unit designs, develops and manufactures tools and manufacturing processes used to fabricate compound semiconductor wafer and devices. This business unit assists our customers with device design, process development and optimal configuration of TurboDisc production systems. Revenues for the systems-related business unit consist of sales of EMCORE's TurboDisc production systems as well as spare parts and services related to these systems. The materials-related business unit designs, develops and manufactures compound semiconductor materials. Revenues for the materials-related business unit include sales of semiconductor wafers, devices and process development technology. EMCORE's vertically-integrated product offering allows it to provide a complete compound semiconductor solution to its customers. The segments reported are the segments of EMCORE for which separate financial information is available and for which gross profit amounts are evaluated regularly by executive management in deciding how to allocate resources and in assessing performance. EMCORE does not allocate assets or operating expenses to the individual operating segments. There are no intercompany sales transactions between the two operating segments.

RESULTS OF OPERATIONS:

Comparison of three- and nine-month periods ended June 30, 1999 and 2000

Revenues. EMCORE's revenues increased \$12.3 million or 69.9% from \$17.7 million for the three-month period ended June 30, 1999 to \$30.0 million for the three-month period ended June 30, 2000. For the nine-month period ended June 30, 2000, revenues increased \$26.5 million or 60.6% from \$43.9 million in 1999 to \$70.4 million in 2000. The increase was attributable to increased revenues in both the materials-related and systems-related product lines. Revenues from materials-related sales were \$4.8 million and \$12.5 million for the three-month periods ended June 30, 1999 and 2000, respectively, and \$10.3 million and \$27.5 million for the nine-month periods ended June 30, 1999 and 2000, respectively. This revenue growth primarily relates to sales of solar cells and sales of pHEMT and HBT epitaxial wafers to wireless communication companies. Revenues from systems-related sales were \$12.9 million and \$17.6 million for the three months ended June 30, 1999 and 2000, respectively, and \$33.6 million and \$42.9 million for the nine-month periods ended June 30, 1999 and 2000, respectively. As a percentage of revenues, systems- and materials-related revenues accounted for 73.1% and 26.9%, respectively, for the three-month period ended June 30, 1999 and 58.5% and 41.5%, respectively, for the three-month period ended June 30, 2000. EMCORE expects the product mix between systems and materials to continue to approach 50% as other new products are introduced and production of commercial volumes of these materials commences. International sales accounted for 68.2% and 28.5% of revenues for the quarter ended June 30, 1999 and 2000, respectively, and 54.1% and 37.7% of revenues for the nine-month period ended June 30, 1999 and 2000, respectively.

Cost Of Revenues/Gross Profit. Cost of sales includes direct material and labor costs, allocated manufacturing and service overhead and installation and warranty costs. EMCORE's gross profit increased \$4.7 million or 59.8% from \$7.8 million for the three-month period ended June 30, 1999 to \$12.5 million for the three-month period ended June 30, 2000. For the nine-month period ended June 30, 2000, gross profit increased \$10.4 million or 55.1% from \$18.8 million to \$29.1 million. As a percentage of revenue, gross profit decreased slightly from 42.8% of revenue for the nine-month period ended June 30, 1999 to 41.4% of revenue for the nine-month period ended June 30, 2000.

Selling, General and Administrative. Selling, general and administrative expenses increased by \$2.2 million or 62.2% from \$3.7 million for the three-month period ended June 30, 1999 to \$5.9 million for the three-month period ended June 30, 2000. For the nine-month period ended June 30, 2000, selling, general and administrative expenses increased \$5.9 million or 58.9% from \$10.0 million in 1999 to \$15.9 million in 2000. A significant portion of the increase was due to headcount increases in marketing and sales personnel to support domestic and foreign markets and other administrative headcount additions to sustain internal support. As a percentage of revenue, selling, general and administrative expenses decreased from 20.7% for the three-month period ended June 30, 1999 to 19.7% for the three-month period ended June 30, 2000.

Goodwill Amortization. Goodwill of \$13.2 million was recorded in connection with our acquisition of MODE on March 5, 1997. EMCORE recognized approximately \$1.1 million of goodwill amortization for the three-month periods ended June 30, 1999 and 2000. As of June 30, 2000, EMCORE had approximately \$1.8 million of net goodwill remaining, which will be fully amortized by December 2000.

Research and Development. Research and development expenses increased \$1.0 million or 20.7% from \$5.0 million in the three-month period ended June 30, 1999 to \$6.0 million in the three-month period ended June 30, 2000. For the nine-month period ended June 30, 2000, research and development expenses increased \$0.2 million or 0.8% from \$15.2 million in 1999 to \$15.4 million in 2000. As a percentage of revenue, research and development expenses decreased from 34.7% for the nine-month period ended June 30, 1999 to 21.8% for the nine-month period ended June 30, 2000. The overall year-to-date percentage decrease in research and development spending was primarily attributable to the elimination of certain projects as new products were introduced. To maintain growth and to continue to pursue market leadership in materials science technology, EMCORE expects to continue to invest a significant amount of its resources in research and development. In the fourth quarter of fiscal 2000, EMCORE expects total research and development expenses to increase significantly due to additional costs related to the initial product development of the fiberoptic array transceiver being developed in an alliance with JDS Uniphase.

Operating Loss. EMCORE reported a 72.8% decrease in operating loss from \$1.9 million for the three-month period ended June 30, 1999, to an operating loss of \$0.5 million for the three-month period ended June 30, 2000. For the three-months ended June 30, 2000, EMCORE reported an operating profit before goodwill amortization of \$0.6 million compared to an operating loss before goodwill amortization of \$0.8 million in the three months ended June 30, 1999. For the nine-month period ended June 30, 2000, operating loss decreased 44.5% from \$9.8 million in 1999 to \$5.4 million in 2000.

Other Income/Expense. For the three-month period ended June 30, 2000, net stated interest changed \$2.2 million from net interest expense of \$0.3 million to net interest income of \$2.0 million. In March 2000, EMCORE completed the issuance of an additional 1.0 million common stock shares through a public offering, which resulted in proceeds of \$127.8 million, net of issuance costs. A portion of the proceeds was used to repay all outstanding bank loans, thereby reducing interest expense and generating interest income on the retained proceeds.

Because EMCORE does not have a controlling economic and voting interest in its existing joint ventures, EMCORE accounts for these joint ventures under the equity method of accounting. For the three-month period ended June 30, 1999, EMCORE incurred a net loss of \$1.1 million related to the GELcore joint venture and a \$0.1 million net loss related to the Uniroyal joint venture. For the three-month period ended June 30, 2000, EMCORE incurred a net loss of \$1.2 million related to the GELcore joint venture and a \$1.7 million net loss related to the Uniroyal joint venture. For the nine-month period ended June 30, 1999, EMCORE incurred a net loss of \$1.6 million related to the GELcore joint venture and a \$1.2 million net loss related to the Uniroyal joint venture. For the nine-month period ended June 30, 2000, EMCORE incurred a net loss of \$3.7 million related to the GELcore joint venture and a \$5.0 million net loss related to the Uniroyal joint venture.

Income Taxes. As a result of its losses, EMCORE did not incur any income tax expense in any of the three- and nine-month periods ended June 30, 1999 and 2000.

Net Loss. EMCORE reported a 72.1% decrease in net loss from \$5.2 million for the three-month period ended June 30, 1999 to \$1.5 million for the three-month period ended June 30, 2000. For the three-months ended June 30, 2000, EMCORE reported a net loss before goodwill amortization of \$0.4 million

compared to a net loss before goodwill amortization of \$4.1 million in the three months ended June 30, 1999. For the nine-month period ended June 30, 2000, net loss decreased 23.4% from \$16.1 million in 1999 to \$12.3 million in 2000.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents increased by \$112.8 million from \$7.2 million at September 30, 1999 to \$120.0 million at June 30, 2000. For the nine-month period ended June 30, 2000, net cash provided by operations increased \$12.4 million to \$0.8 million from net cash used for operations of \$11.6 million for the nine-month period ended June 30, 1999. This increase in cash was primarily due to increases in advanced billings, accounts payable and non-cash charges related to both equity in net losses from unconsolidated affiliates and depreciation and amortization which was partially offset by EMCORE's net loss and increases in accounts receivable and inventory. Net cash used for investment activities amounted to \$28.6 million, primarily due to the purchase and manufacture of new equipment to outfit EMCORE's wafer and device product lines, and clean room modifications and enhancements. In fiscal year 2000, EMCORE plans to quadruple the production capacity for GaInP HBTs and pHEMTs to meet wireless and fiberoptic market demands. Net cash provided by financing activities for the nine-month period ended June 30, 2000 amounted to approximately \$140.7 million primarily from the sale of 1.0 million common stock shares to the public which resulted in proceeds of \$127.8 million, net of issuance costs.

In March 1997, EMCORE entered into a \$10.0 million loan agreement with First Union National Bank (the "Loan Agreement") that had an interest rate equal to the prime rate plus 50 basis points. In December 1999, the Loan Agreement was extended through January 31, 2001. The Loan Agreement's financial covenants were modified under the third amendment, and management believes that EMCORE will be able to comply with such requirements throughout fiscal year 2000. The Company was in compliance with all covenants and no amounts were outstanding under this facility at June 30, 2000.

EMCORE believes that its current liquidity, together with available credit, should be sufficient to meet its cash needs for working capital through fiscal year 2001. However, if the available credit facilities, cash generated from operations and cash on hand are not sufficient to satisfy EMCORE's liquidity requirements, EMCORE will seek to obtain additional equity or debt financing. Additional funding may not be available when needed or on terms acceptable to EMCORE. If EMCORE is required to raise additional financing and if adequate funds are not available or not available on acceptable terms, the ability to continue to fund expansion, develop and enhance products and services, or otherwise respond to competitive pressures will be severely limited. Such a limitation could have a material adverse effect on EMCORE's business, financial condition or operations.

In 1992, EMCORE received a royalty bearing, non-exclusive license under a patent held by Rockwell International Corporation which relates to an aspect of the manufacturing process used by TurboDisc systems. In October 1996, EMCORE initiated discussions with Rockwell to receive additional licenses to permit EMCORE to use this technology to manufacture and sell compound semiconductor wafers and devices. In November 1996, EMCORE suspended these negotiations because of litigation surrounding the validity of the Rockwell patent. EMCORE also ceased making royalty payments to Rockwell under the license during the pendency of the litigation. In January 1999, the case was settled and a judgement was entered in favor of Rockwell. As a result, EMCORE may be required to pay royalties to Rockwell for certain of its past sales of wafers and devices to customers who did not hold licenses directly from Rockwell. Management has reviewed and reassessed the royalty agreements and concluded that it has the appropriate amounts reserved at both June 30, 2000 and September 30, 1999. If EMCORE is required to pay Rockwell amounts in excess of its reserves, its business, financial condition and results of operations could be materially and adversely affected.

RECENT ACCOUNTING PRONOUNCEMENT

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin: No. 101 - Revenue Recognition in Financial Statements ("SAB 101"), which provides guidance related to revenue recognition based on interpretations and practices followed by the SEC. SAB 101 is effective for the Company during the fourth fiscal quarter of fiscal year 2001. The Company does not expect the adoption of SAB 101 to have a material effect on the Company's results of operations, financial condition or cash flows.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

During the three- and nine-month periods ended June 30, 2000 and 1999, EMCORE was not a party to any derivative contracts, hedging or other material market risk transactions.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Not applicable

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

Not applicable

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) List of Exhibits:

27 - Financial Data Schedule

(b) Reports on Form 8-K:

The Company filed the following reports:

- Form 8-K filed June 21, 2000 relating to JDS Uniphase Agreement

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EMCORE CORPORATION

Date: August 14 2000

By: /s/ Reuben F. Richards, Jr.

Reuben F. Richards, Jr.
President and Chief Executive Officer

Date: August 14, 2000

By: /s/ Thomas G. Werthan

Thomas G. Werthan
Vice President, Finance and Administration

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS OF EMCORE CORPORATION FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2000, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

9-MOS

SEP-30-2000

JUN-30-2000

120,048

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20,258

(592)

32,457

3,225

86,798

(29,565)

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30,023

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17,537

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