

EMCORE Acquires Systron Donner Inertial

Management's Prepared Remarks

Erica Mannion, Sapphire Investor Relations

Thank you and good morning, everyone. Before we begin, we would like to remind you that 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 Exchange Act of 1934. These forward-looking statements are largely based on our current expectations and projections about future events and trends affecting our business. Such forward-looking statements include, in particular, projections about future results, statements about plans, strategies, business prospects, changes and trends in the business and the markets in which we operate. Management cautions 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 the business or our industry to be materially different from those expressed or implied by any forward-looking statements.

We caution you not to rely on these statements and to also consider the risks and uncertainties associated with these statements and the business that are included in the company's filings with the U.S. 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 the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. The Company assumes no obligation to update any forward-looking statements to conform such

statements to actual results, or to changes in our expectations except as required by applicable law or regulation.

With me today from EMCORE are Jeff Rittichier, President and Chief Executive Officer, and Mark Gordon, Interim Principal Financial and Accounting Officer. Jeff will begin with a few prepared remarks regarding the Systron Donner Inertial acquisition before we open the call up for questions.

I'll now turn the call over to Jeff.

Jeff Rittichier, President & CEO, EMCORE Corporation

Thank you Erica, and good morning everyone.

Today we are pleased to announce that we have acquired Systron Donner Inertial, or SDI, a world leading manufacturer of quartz MEMS navigation products for \$22.8 million in cash plus approximately 811 thousand shares of stock. Through the transaction, EMCORE has acquired all of the outstanding assets and liabilities of SDI, including SDI's 100,000 square foot production facility in Concord, CA.

SDI designs, manufactures, and sells high performance quartz-based MEMS and has is shipping 1 degree per hour tactical grade MEMS sensors and IMUs to leading customers such as Raytheon, Lockheed Martin, Rockwell Collins and other leading prime contractors. These navigation products are complimentary to EMKR's fiber optic navigation products and increase our Total Addressable Market by at least \$500M dollars. SDI has a strong track record of on-time delivery as well as a string of quality awards across many different defense programs.

We see significant potential in SDI. The two product lines are very complimentary, with SDI positioned to address the high performance, and higher volume MEMS market and EMCORE positioned to address the navigation and high-performance tactical gyro markets. Both companies have customers seeking products where the other might be a better performance, cost, or size solution. When combined, EMCORE will now have the ability to serve a wider breadth of customer requirements.

We are very excited about the opportunities for SDI's quartz technology in defense applications and are impressed with SDI's roster of customers as well as the overall size of the business. SDI is supplying key US Navy programs such as the MK48 Heavyweight torpedo, the MK54 Lightweight Anti-Submarine warfare torpedo as well as helicopter and aircraft applications. There are only a small handful of merchant quartz gyroscope vendors in the market today, and among them SDI is the clear market leader.

Most recently, SDI was awarded the contract for the Boeing 777X Flight Control Dedicated Inertial Sensor which should have a long, productive production run. This marks the beginning of the company's move into commercial aviation, where the certification requirements are far more stringent than military applications.

The combination of EMCORE's navigation and high-end tactical grade FOGs with SDI's quartz gyros and accelerometers creates an expanded product portfolio which has the ability to meet a broad spectrum of customer requirements that go well beyond military applications. For example, SDI is a leader in down-hole sensing products used in the oil industry for advanced directional drilling.

Going forward, both EMCORE and SDI will now have access to each other's sensor technologies. But perhaps more importantly, both IMU development teams will be able to select from the best aspects from each offering of IMU and INS/GPS algorithms and software. Enabling significant leverage of the two engineering teams.

Finally, Systron Donner's brand and the strength of reputation that it has in the market brings significant cache and credibility to our navigation business along with a host of customers with needs that for higher performance Gyros and IMU's, where EMCORE's fiber optic gyros are an ideal solution. Concurrently, we have seen numerous opportunities where a scalable platform like SDI's Quartz MEMS products have the opportunity for significant volume expansion.

In addition to topline growth, EMCORE also expects to realize manufacturing synergies from its acquisition of SDI. EMCORE has a fab in-house and years of knowledge in the production of high-volume compound semiconductor products which we believe will have a significant impact on margins. We see the opportunity to leverage this process knowledge, and potentially our facility to improve the overall effectiveness of SDI's chip level manufacturing processes.

With regards, to sales and marketing, there is no personnel or program overlap. EMCORE expects to leverage its international distributor channel with the SDI team that has developed lasting relationships with their customers. We see tremendous opportunity in leveraging the team SDI has in place.

For the twelve months ended March 31, 2019, Systron Donner generated \$28 million in revenue primarily serving the aerospace and defense markets. As I touched on previously, in

addition to the immediate scale SDI brings to EMCORE's navigation product line, we believe there is an opportunity to create material operating synergies in manufacturing, engineering and sales.

Some of the synergies that we have identified will be quickly realized, while others will require a longer time to qualify. However, we do expect SDI to be accretive to EMCORE's non-GAAP EPS by the end of calendar 2019.

This concludes our formal comments and now I would like to ask the operator to open the line for questions regarding today's announced acquisition.