



May 9, 2013

## **EMCORE Corporation Announces Financial Results for Second Quarter Ended March 31, 2013**

- **Consolidated revenue of \$42.3 million**
- **Consolidated GAAP net income of \$11.7 million**
- **Anticipate Q3 revenue of \$35 to \$39 million**

ALBUQUERQUE, N.M., May 9, 2013 (GLOBE NEWSWIRE) -- EMCORE Corporation (Nasdaq:EMKR), a leading provider of compound semiconductor-based components, subsystems, and systems for the fiber optics and solar power markets, today announced its financial results for its fiscal second quarter ended March 31, 2013.

### **Financial Results**

#### **Revenue:**

Consolidated revenue for the second quarter ended March 31, 2013 was \$42.3 million, which represents an 11.9% increase compared to the prior year and 14.3% decrease from the immediate preceding quarter. On a segment basis, revenue for our Fiber Optics segment was \$23.1 million, which represents a 5.4% increase compared to the prior year and 22.1% decrease compared to the immediate preceding quarter. Revenue for the Photovoltaics segment was \$19.1 million, which represents a 20.9% increase compared to the prior year and 2.5% decrease compared to the immediate preceding quarter.

#### **Gross Profit:**

Consolidated gross profit was approximately \$7.8 million. Consolidated gross margin was 18.5%, which represents an increase from the 14.2% gross margin reported in the prior year and a decrease from the 22.2% gross margin reported in the immediate preceding quarter. On a segment basis, Fiber Optics gross margin was 7.0%, which represents a decrease from the 9.4% gross margin reported in the prior year and a decrease from the 16.7% gross margin reported in the immediate preceding quarter. Photovoltaics gross margin was 32.5%, which represents an increase from the 20.9% gross margin reported in the prior year and an increase from the 30.5% gross margin reported in the immediate preceding quarter.

#### **Operating Income (Loss):**

The consolidated operating income was \$12.2 million, which represents a \$21.1 million improvement when compared to the prior year and a \$9.3 million improvement when compared to the immediate preceding quarter. The quarter-over-quarter variance was primarily due to higher flood-related insurance proceeds.

#### **Net Income (Loss):**

The consolidated net income was \$11.7 million, which represents a \$21.0 million improvement when compared to the prior year and an \$8.9 million improvement when compared to the immediate preceding quarter. The consolidated net income per share was \$0.44 compared to a net loss per share of \$0.40 in the prior year and net income per share of \$0.11 in the immediate preceding quarter.

#### **Non-GAAP Net Income (Loss):**

After excluding certain non-cash and other infrequent transactions as set forth in the attached non-GAAP table, our non-GAAP net income for the first quarter ended March 31, 2013 was \$0.0 million, which represents an improvement of approximately \$5.3 million from that reported for the prior year and a deterioration of approximately \$0.1 million from the immediate preceding quarter. The consolidated non-GAAP net income per share was \$0.00, which represents an increase from the \$0.22 loss per share reported in the prior year and flat with the \$0.00 income per share reported in the immediate preceding quarter.

#### **Order Backlog**

As of March 31, 2013, order backlog for our Photovoltaics segment totaled \$36.5 million, which represents a 3% increase from \$35.3 million reported as of December 31, 2012. The order backlog as of March 31, 2013 and December 31, 2012 included \$9.2 million and \$3.4 million, respectively, of terrestrial solar cell orders from our Suncore joint venture. Order backlog is

defined as purchase orders or supply agreements accepted by us with expected product delivery and/or services to be performed and deferred revenue expected to be recognized within the next twelve months. Product sales from our Fiber Optics segment are made pursuant to purchase orders, often with short lead times.

## **Business Outlook**

On a consolidated basis, we expect revenue for our third quarter ended June 30, 2013 to be in the range of \$35 to \$39 million, which includes revenue from our joint venture Suncore.

## **Conference Call**

We will discuss our financial results today at 4:30 p.m. ET. The call will be webcast via the Company's website at <http://www.emcore.com>. Please go to the site beforehand to download any necessary software. A webcast will be available for replay beginning May 9, 2013 following the conclusion of the call on the Company's website.

## **Conferences**

Management is expecting to present at the following conferences over the next few months:

- The 12th Annual JMP Securities Research Conference, May 13, 2013 at The Ritz-Carlton, San Francisco, CA.
- B. Riley & Co. 14th Annual Investor Conference, May 21, 2013 at the Loews Santa Monica Beach Hotel, Santa Monica, CA.

## **About EMCORE**

EMCORE Corporation offers a broad portfolio of compound semiconductor-based products for the fiber optics and solar power markets. EMCORE's Fiber Optics business segment provides optical components, subsystems and systems for high-speed telecommunications, Cable Television (CATV) and Fiber-To-The-Premise (FTTP) networks, as well as products for satellite communications, video transport and specialty photonics technologies for defense and homeland security applications. EMCORE's Solar Photovoltaics business segment provides products for space power applications including high-efficiency multi-junction solar cells, Covered Interconnect Cells (CICs) and complete satellite solar panels. For further information about EMCORE, visit <http://www.emcore.com>.

## **Use of Non-GAAP Financial Measures**

We provide a non-GAAP net loss disclosure as a supplemental measure to U.S. GAAP regarding our operational performance. This financial measure excludes the impact of certain items; therefore, it has not been calculated in accordance with U.S. GAAP.

We believe that this additional non-GAAP financial measure is useful to investors in assessing our operating performance. We also use this financial measure 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 measure. We also believe that it is in the best interest of our investors to provide this non-GAAP information.

While we believe that this non-GAAP financial measure provides useful supplemental information to investors, there are limitations associated with the use of this non-GAAP financial measure. Our non-GAAP financial measure may not be reported by all of our competitors and it 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 this non-GAAP financial measure as a supplement to U.S. GAAP and by providing a reconciliation of our non-GAAP financial measure to its most comparable U.S. GAAP financial measure.

Non-GAAP financial measures are not in accordance with or an alternative for U.S. GAAP. Our non-GAAP financial measure is not meant to be considered in isolation or as a substitute for comparable U.S. GAAP financial measures and it 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 Exchange Act of 1934. 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 impact on the Company, our customers and our suppliers from the effects of the floods in Thailand; (b) the impact on the Company related to the asset sale transactions with Sumitomo and Suncore; (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) we may not be successful in undertaking the steps currently planned in order to increase our liquidity; (f) uncertainties concerning the extent of our insurance recovery from damage to our contract manufacturer's facilities and the Company's and our contract manufacturer's equipment; uncertainties concerning the availability and cost of commodity materials and specialized product components that we do not make internally; actions by competitors; and (g) other risks and uncertainties described in our filings with the Securities and Exchange Commission ("SEC") such as 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.

Neither management nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. 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 SEC that are available on the SEC's web site located at [www.sec.gov](http://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 income (loss) per share)  
(unaudited)

	<u>For the Three Months Ended</u>			<u>For the Six Months Ended</u>	
	<u>March 31,</u>	<u>December 31,</u>	<u>March 31,</u>	<u>March 31,</u>	<u>March 31,</u>
	<u>2013</u>	<u>2012</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenue	\$ 42,277	\$ 49,306	\$ 37,780	\$ 91,583	\$ 75,231
Cost of revenue	<u>34,444</u>	<u>38,358</u>	<u>32,404</u>	<u>72,802</u>	<u>66,387</u>
Gross profit	7,833	10,948	5,376	18,781	8,844
Operating expense (income):					
Selling, general, and administrative	6,771	6,904	8,365	13,675	15,845
Research and development	4,112	5,390	5,781	9,502	12,761
Litigation settlement	—	—	—	—	—
Flood-related losses	—	—	114	—	5,812
Flood-related insurance proceeds	(14,808)	(4,192)	—	(19,000)	(5,000)
Gain on Sale of Assets	<u>(413)</u>	<u>—</u>	<u>—</u>	<u>(413)</u>	<u>—</u>

Total operating expense (income)	<u>(4,338)</u>	<u>8,102</u>	<u>14,260</u>	<u>3,764</u>	<u>29,418</u>
Operating income (loss)	12,171	2,846	(8,884)	15,017	(20,574)
Other income (expense):					
Interest expense, net	(186)	(238)	(121)	(424)	(250)
Foreign exchange gain (loss)	(21)	101	167	80	256
Loss from equity method investment	—	—	(241)	—	(1,201)
Change in fair value of financial instruments	<u>(267)</u>	<u>237</u>	<u>(256)</u>	<u>(30)</u>	<u>(151)</u>
Total other income (expense)	<u>(474)</u>	<u>100</u>	<u>(451)</u>	<u>(374)</u>	<u>(1,346)</u>
Income (Loss) before income tax expense	11,697	2,946	(9,335)	14,643	(21,920)
Income tax expense	—	(120)	—	(120)	—
Foreign income tax expense on capital distributions	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(1,644)</u>
Net income (loss)	<u>\$ 11,697</u>	<u>\$ 2,826</u>	<u>\$ (9,335)</u>	<u>\$ 14,523</u>	<u>\$ (23,564)</u>
<b>Per share data:</b>					
Net income (loss) per basic share	<u>\$ 0.44</u>	<u>\$ 0.11</u>	<u>\$ (0.40)</u>	<u>\$ 0.55</u>	<u>\$ (1.00)</u>
Net income (loss) per diluted share	<u>\$ 0.44</u>	<u>\$ 0.11</u>	<u>\$ (0.40)</u>	<u>\$ 0.54</u>	<u>\$ (1.00)</u>
Weighted-average number of basic shares outstanding	<u>26,310</u>	<u>25,977</u>	<u>23,529</u>	<u>26,142</u>	<u>23,577</u>
Weighted-average number of diluted shares outstanding	<u>26,642</u>	<u>26,236</u>	<u>23,529</u>	<u>26,432</u>	<u>23,577</u>

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

	<b>As of March 31, 2013</b>	<b>As of September 30, 2012</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 5,922	\$ 9,047
Restricted cash	330	82
Accounts receivable, net	39,537	36,939
Inventory	35,604	35,192
Prepaid expenses and other current assets	<u>19,350</u>	<u>14,146</u>
Total current assets	100,743	95,406
Property, plant, and equipment, net	50,461	47,896
Goodwill	20,384	20,384
Other intangible assets, net	2,793	3,428
Other non-current assets, net	<u>3,206</u>	<u>—</u>

Total assets	<u>\$ 177,587</u>	<u>\$ 169,866</u>
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# **LIABILITIES and SHAREHOLDERS' EQUITY**

## Current liabilities:

Borrowings from credit facility	\$ 20,779	\$ 19,316
Accounts payable	24,507	38,814
Warrant liability	700	670
Accrued expenses and other current liabilities	<u>26,105</u>	<u>32,635</u>

Total current liabilities	72,091	91,435
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Asset retirement obligations	5,075	5,004
Deferred gain associated with sale of assets	3,400	3,400
Other long-term liabilities	<u>937</u>	<u>1,004</u>

Total liabilities	81,503	100,843
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## Shareholders' equity:

Common stock	734,890	722,345
Treasury stock	(2,071)	(2,071)
Accumulated other comprehensive income	1,369	1,376
Accumulated deficit	<u>(638,104)</u>	<u>(652,627)</u>

Total shareholders' equity	<u>96,084</u>	<u>69,023</u>
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Total liabilities and shareholders' equity	<u>\$ 177,587</u>	<u>\$ 169,866</u>
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We have provided a reconciliation of our non-GAAP net income (loss) financial measure to its most directly comparable U.S. GAAP financial measure as indicated in the table below:

## **EMCORE CORPORATION** **Non-GAAP Net Income (Loss)** (in thousands, except per share data) (unaudited)

	<u>For the Three Months</u>			<u>For the Six Months</u>	
	<u>March 31, 2013</u>	<u>December 31, 2012</u>	<u>March 31, 2012</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Net income (loss) — US GAAP	\$ 11,697	\$ 2,826	\$ (9,335)	\$ 14,523	\$ (23,564)
Adjustments:					
Amortization expense	317	317	480	634	945
Stock-based compensation expense	1,051	1,082	2,542	2,133	4,722
Asset retirement obligations - accretion expense	54	54	70	108	121
Specific severance and restructuring charges	181	—	—	181	—
Flood-related loss	—	—	114	—	5,812
Flood-related insurance proceeds	(14,808)	(4,192)	—	(19,000)	(5,000)
Gain on sale of assets	(358)	—	—	(358)	—
Losses on inventory purchase commitments	—	—	435	—	1,343

Specific warranty charges	1,425	—	—	1,425	—
Foreign exchange (gain) loss	24	(101)	(167)	(77)	(256)
Loss from equity method investment	—	—	241	—	1,201
Change in fair value of financial instruments	267	(237)	256	30	151
Interest expense, net	186	238	121	424	250
Income tax expense	—	120	—	120	—
Foreign income tax expense on capital distributions	—	—	—	—	1,644
Total adjustments	<u>(11,661)</u>	<u>(2,719)</u>	<u>4,092</u>	<u>(14,380)</u>	<u>10,933</u>

<b>Net income (loss) - Non-GAAP</b>	<u>\$ 36</u>	<u>\$ 107</u>	<u>\$ (5,243)</u>	<u>\$ 143</u>	<u>\$ (12,631)</u>
<b>Net income (loss) - Non-GAAP per basic share</b>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ (0.22)</u>	<u>\$ 0.01</u>	<u>\$ (0.54)</u>
<b>Net income (loss) - Non-GAAP per diluted share</b>	<u>\$ 0.00</u>	<u>\$ 0.00</u>	<u>\$ (0.22)</u>	<u>\$ 0.01</u>	<u>\$ (0.54)</u>
Weighted average number of basic shares outstanding	<u>26,310</u>	<u>25,977</u>	<u>23,529</u>	<u>26,142</u>	<u>23,577</u>
Weighted average number of diluted shares outstanding	<u>26,642</u>	<u>26,236</u>	<u>23,529</u>	<u>26,432</u>	<u>23,577</u>

### Stock-based compensation expense

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

#### **Stock-based Compensation Expense**

(in thousands)

	<u>For the Three Months</u>			<u>For the Six Months</u>	
	<u>March 31, 2013</u>	<u>December 31, 2012</u>	<u>March 31, 2012</u>	<u>March 31, 2013</u>	<u>March 31, 2012</u>
Cost of revenue	\$ 290	\$ 315	\$ 593	\$ 605	\$ 1,069
Selling, general, and administrative	459	382	1,233	841	2,246
Research and development	<u>302</u>	<u>385</u>	<u>716</u>	<u>687</u>	<u>1,407</u>
Total stock-based compensation expense	<u>\$ 1,051</u>	<u>\$ 1,082</u>	<u>\$ 2,542</u>	<u>\$ 2,133</u>	<u>\$ 4,722</u>

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