

Target Details						Source Data	
Transaction ID	30769-2	Name	Oclaro, Inc.	Target Type	Public	Acquirer Name	Lumentum Holdings Inc.
Business Description						Manufacturer of Optical Components	
Location						San Jose, CA, United States	
Target Region						Pacific	
Age	30	Structure	C Corporation	Employee Count	1701	Filing Date 8-K	
SIC						3827 - Optical Instruments and Lenses	
NAICS						333314 - Optical Instrument and Lens Manufacturing	
						Other Filing Date	02/07/2019
						Acquirer CIK	0001633978
Transaction Data							
Sale Initiation		Sale Date		12/10/2018		Days To Sell	
Percentage Acquired		100.0%		Asking Price		Transaction Type	
MVIC Price		\$1,424,900,000		Debt Assumed		\$0	
				Amount Down		\$1,424,900,000	
Income		Balance Sheet		Purchase Price Allocation			
Income Statement Type	Latest Full Year Income	Date	09/29/2018	Date	12/10/2018		
Tax Return/P&L	Yes						
Restated Income	Date						
No	09/29/2018						
Net Sales	\$543,170,000	Cash and Equivalents	\$337,920,000	Cash and Equivalents	\$345,000,000		
COGS	\$340,266,000	Accounts Receivable	\$108,720,000	Accounts Receivable	\$68,000,000		
Gross Profit	\$202,904,000	Inventory	\$89,779,000	Inventory	\$153,200,000		
Rent		Other Current Assets		Other Current Assets	\$33,700,000		
Owner's Compensation		Total Current Assets	\$576,594,000	Total Current Assets	\$599,900,000		
Other Operating Expenses		Fixed Assets	\$131,721,000	Fixed Assets	\$128,600,000		
Depreciation and Amortization	\$30,180,000	Real Estate		Real Estate	\$0		
Total Operating Expenses	\$135,579,000	Total Intangibles	\$19,000	Identifiable Intangibles			
Operating Profit	\$67,325,000	Other Noncurrent Assets		- Customer Related	\$145,000,000	8 Years	
Interest Expense	\$0	Total Assets	\$727,040,000	- Backlog	\$22,000,000	1 Year	
Interest Income	\$912,000	Current Liabilities	\$106,132,000	- Developed Technology	\$182,000,000	4.4 Years	
Other Expenses	\$0	Long-Term Liabilities	\$16,037,000	- In-Process R&D	\$95,000,000	Indefinite	
Other Income	\$6,606,000	Total Liabilities	\$122,169,000	- Trade Names/Marks	\$0		
Earnings Before Taxes	\$74,843,000	Stockholder's Equity	\$604,871,000	- Non-Compete	\$0		
Tax Expense	\$12,390,000			- Other Intangibles	\$0		
Tax Benefit	\$0			Total Ident Intangibles	\$444,000,000		
Net Income	\$62,453,000			Goodwill	\$333,400,000		
				Total Intangibles	\$777,400,000		
				Other Noncurrent Assets	\$70,700,000		
				Total Assets	\$1,576,600,000		
				Interest-Bearing Liabilities	\$0		
				Total Liabilities	\$151,700,000		
Future, Current and Historical Earnings							
Net Sales FY+1		SDE FY+1		EBITDA FY+1			
Net Sales	\$543,170,000	SDE		EBITDA	\$97,505,000		
Net Sales FY-1	\$600,968,000	SDE FY-1		EBITDA FY-1	\$140,512,000		
Net Sales FY-2	\$407,914,000	SDE FY-2		EBITDA FY-2	\$32,597,000		
Net Sales FY-3	\$341,276,000			EBITDA FY-3	(\$26,848,000)		
Net Sales FY-4	\$390,871,000			EBITDA FY-4	(\$75,948,000)		

Additional Transaction Information					
Deal Terms					
Consideration: Cash payment of \$964,800,000, the issuance of 10,941,436 shares of the acquirer's common stock valued at \$457,400,000, replacement equity awards for Oclaro equity awards of \$2,700,000. The cash consideration was financed through stock issuance, debt issuance, and cash on hand.					
SBA or Bank Loan Included?	SBA/Bank Loan Amount		SBA or Bank Loan % of Amount Down		
Was there a Note in the consideration paid?	Was there a personal guarantee on the Note?		Amount Seller Financed		
Was there a Noncompete Agreement?	No	Non-Compete Length (months)	Renewal Option		
Was there an Employment Agreement?	No	Employment Agreement Value	Lease Length (month)		
Lease Terms					
Future minimum lease commitments through 2023 total \$49,288,000. Future minimum lease commitments after 2023 total \$37,734,000.					
Non-Compete Description					
Employment/Consulting Agreement Description					
Additional Notes					
<p>Oclaro, Inc. designs, manufactures, and markets optical components, modules, and subsystems for the long-haul, metro, and data center markets worldwide. The company's products generate, detect, combine, and separate light signals in optical communications networks. It offers client side transceivers, including pluggable transceivers; line side transceivers; tunable laser transmitters, such as discrete lasers and co-packaged laser modulators; lithium niobate modulators to manipulate the phase or the amplitude of an optical signal; transponder modules for transmitter and receiver functions; and discrete lasers and receivers for metro and long-haul applications. The company markets its products through direct sales force, as well as through sales representatives and resellers. It serves network equipment manufacturers of telecommunications and datacom systems, hyperscale data center operators, and datacom module manufacturers. The company was formerly known as Bookham, Inc. and changed its name to Oclaro, Inc. in April 2009. Oclaro, Inc. was founded in 1988 and is headquartered in San Jose, California. As of December 10, 2018, Oclaro, Inc. operates as a subsidiary of Lumentum Holdings Inc.</p> <p>Purchase Price Allocation: Cash and cash equivalents \$345,000,000, Accounts receivable, net \$68,000,000, Inventories \$153,200,000, Prepayments and other current assets \$33,700,000, Property, plant and equipment, net \$128,600,000, Acquired developed technologies \$182,000,000 (useful life of 4.4 years), Customer relationships \$145,000,000 (useful life of 8 years), In-process research and development \$95,000,000 (Indefinite useful life), Order backlog \$22,000,000 (useful life of 1 year), Deferred income tax asset \$54,100,000, Other non-current assets \$16,600,000, Goodwill \$333,400,000, Accounts payable (\$57,800,000), Accrued payroll and related expenses (\$11,400,000), Accrued expenses (\$8,300,000), Other current liabilities (\$8,100,000), Deferred tax liability (\$55,800,000), Other non-current liabilities (\$10,300,000), for a total purchase price of \$1,424,900,000.</p> <p>Buyer's Motivation: "I'm excited to close the acquisition and now move forward with realizing the strong potential of the combined company. The combined scale, resources, talent, and breadth of technologies will help us accelerate innovation and the development of the products our customers and network operators around the world need to handle the tremendous and unrelenting growth in network bandwidth," said Alan Lowe, president and CEO of Lumentum. "I am excited to welcome the talented Oclaro employees to Lumentum and want to thank Oclaro's management team for their leadership in getting us to this point today."</p>					
Valuation Multiples		Profitability Ratios		SDE and EBITDA Profitability Ratios	
MVIC/Sales	2.62x	Net Profit Margin	11.5%	SDE Margin FY+1	
MVIC/Gross Profit	7.02x	Operating Profit Margin	12.4%	SDE Margin	
MVIC/EBITDA	14.6x	Gross Profit Margin	37.4%	SDE Margin FY-1	
MVIC/EBIT	21.2x	Return on Assets	8.6%	SDE Margin FY-2	
MVIC/Discretionary Earnings		Return on Equity	10.3%	EBITDA Margin FY+1	
MVIC/Book Value Invested Capital	2.3x			EBITDA Margin	17.9%
				EBITDA Margin FY-1	23.4%
				EBITDA Margin FY-2	8.0%
				EBITDA Margin FY-3	(7.9%)
				EBITDA Margin FY-4	(19.4%)
Leverage Ratios		Liquidity Ratios		Activity Ratios	
Fixed Charge Coverage		Current Ratio	5.43	Total Asset Turnover	0.75
Long-Term Liabilities to Assets	2.21%	Quick Ratio	4.59	Fixed Asset Turnover	4.12
Long-Term Liabilities to Equity	2.65%			Inventory Turnover	6.05
Future and Historical Annual Growth Rates		Compound Annual Growth Rates		Real Estate Performance	
Sales Growth FY+1		Net Sales 2Y CAGR	15.4%	EBITDAR	\$106,405,000
Sales Growth	(9.6%)	Net Sales 3Y CAGR	16.8%	Rent/EBITDAR	8.4%
Sales Growth FY-1	47.3%	Net Sales 4Y CAGR	8.6%	Rent/Sales	1.6%
Sales Growth FY-2	19.5%			Sales Per Square Foot	
Sales Growth FY-3	(12.7%)				