



COHERENT - THE LEADER IN PHOTONICS

7/31/2018

FORWARD-LOOKING STATEMENTS & NON-GAAP MEASUREMENT

Forward-Looking Statements

The statements in this presentation that relate to guidance, projections, future plans, business opportunities, estimates, events or performance are forward-looking statements that involve risks and uncertainties, including risks associated with business and economic conditions, customer and/or supplier contract cancellations, manufacturing risks, competitive factors, successful introductions of new products, uncertainties pertaining to customer orders, demand for products and services, growth and development of markets for the Company's products and services, and other risks identified in our filings made with the Securities and Exchange Commission, including, most recently, our Form 10-K for the year ended September 30, 2017. Actual results, events and performance may differ materially. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to release publicly the results of any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Readers are encouraged to refer to the risk disclosures described in the Company's Form 10-K for the fiscal year ended September 30, 2017, our most recent Form 10-Q and subsequent reports and 8-K's, as applicable.

Non-GAAP Measurement

The Company's statements regarding its historical pro forma gross margin, operating margin and pro forma EPS results are non-GAAP financial measures. Historical pro forma gross margin, operating margin and pro forma EPS exclude those items set forth on the applicable slide and you should refer to those slides and the reconciliation for further information.

The Company neither updates nor confirms any guidance regarding the future operating results of the Company which may have been given prior to this presentation.

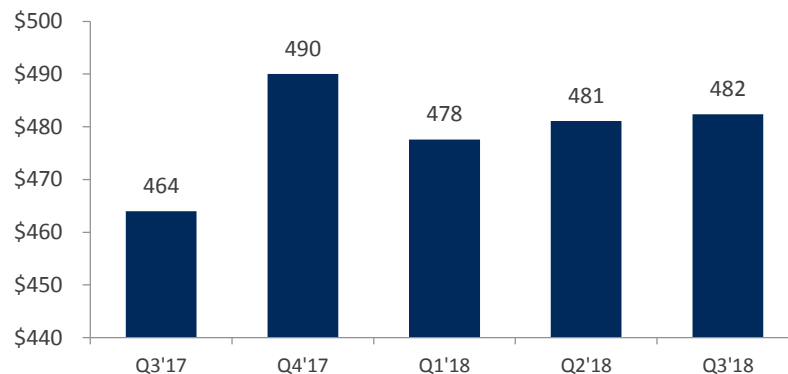
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COHERENT - THE PHOTONICS COMPANY

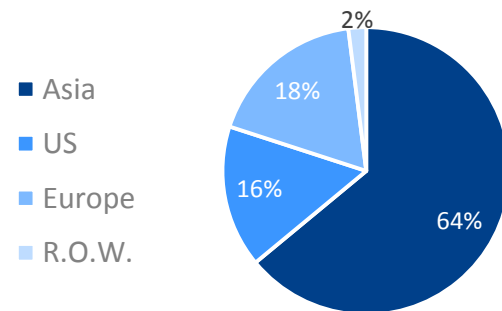
Key Company Facts

- Industry leading provider of photonic solutions
- Founded in 1966
- LTM Sales \$1,931M
 - Sales 16% U.S. and 84% International
- Strong cash flow, balance sheet
- ~5,500 Employees

Growth Momentum - Revenue (\$M)



Sales by Geo – LTM



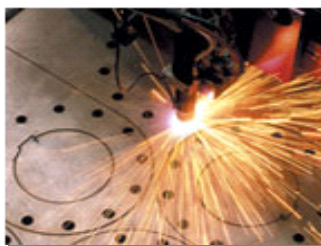
*Note: Photonics is the Merger of Lasers, Optics and Electronics
Source: Company management as of 08/01/2017*

DIVERSIFIED MARKETS AND APPLICATIONS

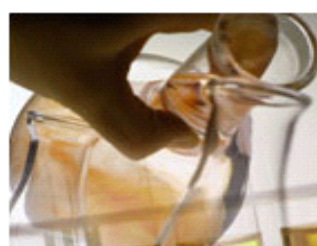
End Markets



Microelectronics



Materials Processing



OEM Components & Instrumentation



Scientific Research & Government Programs

	Microelectronics	Materials Processing	OEM Components & Instrumentation	Scientific Research & Government Programs
Primary Application Focus	FPD, API, Semi	Marking, Engraving, Cutting and Welding	Diagnostic & Therapeutic Medical, Defense and Display	Ultrafast
Growth vs Market				
SAM Position	1	2-3	1	1
Competitors	Lumentum, MKSI, Trumpf	IPGP, Trumpf	Lumentum, MKSI, Private Companies	MKSI, Novanta, Private Companies
Growth Opportunities	OLED, Smartphones, Tablets, Strengthened Glass Cutting	High Power Materials Processing	Laser Eye Care Dental	Attosecond Physics

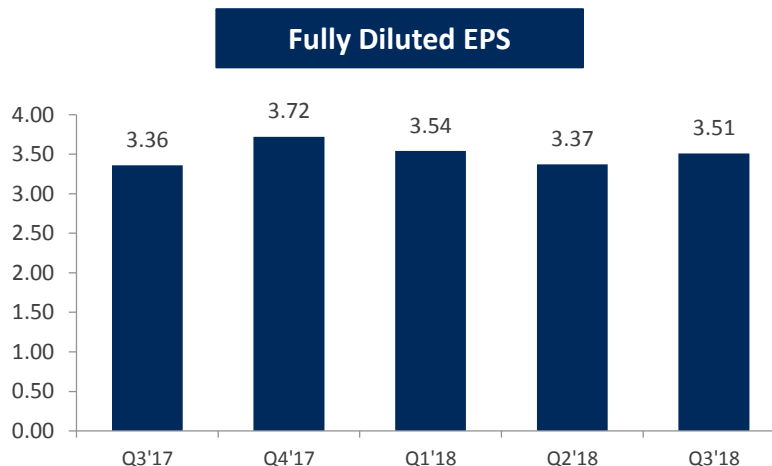
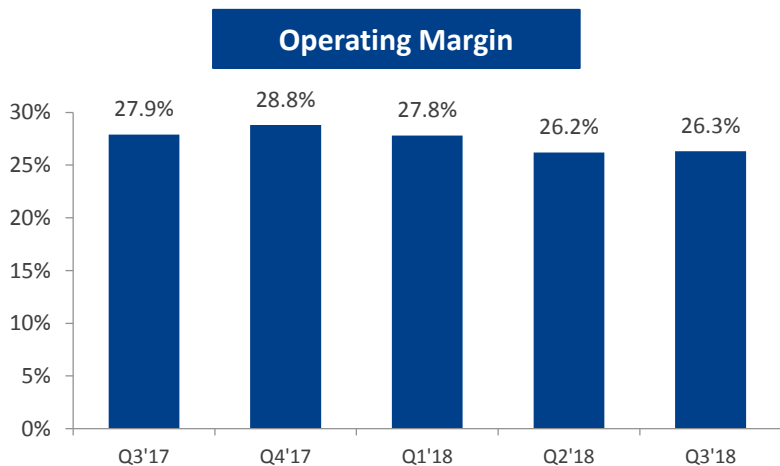
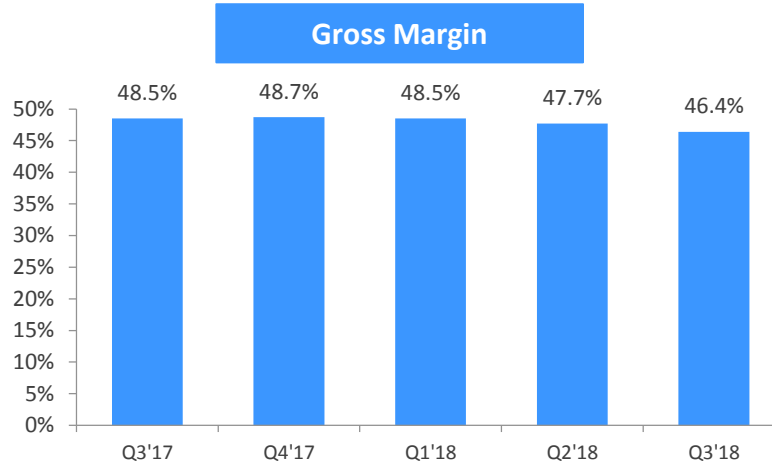
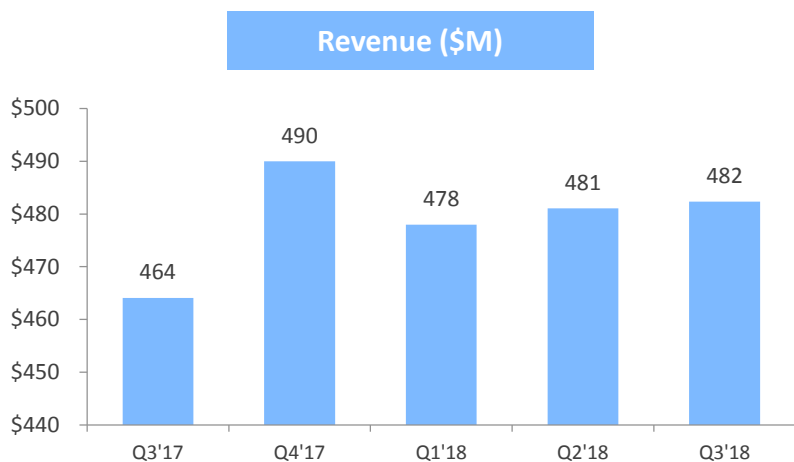
REVENUE BY MARKET SEGMENT

	<u>Q3 17</u>	<u>Q2 18</u>	<u>Q3 18</u>		<u>Q3 18 vs Q2 18</u>		<u>Q3 18 vs Q3 17</u>	
Microelectronics	241,842	261,308	262,308	54.4%	1,000	0.4%	20,466	8.5%
Material Processing	142,614	135,822	132,905	27.6%	(2,917)	-2.1%	(9,709)	-6.8%
OEM Comp & Inst	50,061	53,323	55,690	11.5%	2,367	4.4%	5,629	11.2%
Scientific & Government	29,590	30,665	31,439	6.5%	774	2.5%	1,849	6.2%
TOTAL	464,107	481,118	482,342	100.0%	1,224	0.3%	18,235	3.9%

GROWTH CATALYSTS

- Microelectronics
 - OLED adoption in handsets, mobile computing, automotive, TVs and general signage
 - Smaller geometries in silicon
- Materials Processing
 - Continued laser adoption for Industrial applications
 - Metal cutting, welding/joining applications
- OEM Instrumentation
 - Eye care: vision correction, cataracts for aging population
 - Dental: laser advantages vs mechanical devices
 - Aesthetic and dermatology, cytometry, gene sequencing
- Scientific Research
 - GDP +/- type of growth

FINANCIAL PERFORMANCE (NON-GAAP)



Note: Gross Margin, Operating Margin and EPS exclude stock related compensation charges, intangibles amortization and exceptional items such as acquisition expenses, restructuring costs, impairments, the related tax effects and tax adjustments for the Tax Cuts and Jobs Act.

FINANCIAL STRENGTH

In Millions (\$)	June 30, '18	Sept 30, '17
<i>Domestic</i>	74.0	175.6
<i>Offshore</i>	158.5	300.0
Total cash, cash equivalents & mkt securities	232.5	475.6

Total assets	2,187.6	2,337.8
Stockholders Equity	1,231.2	1,163.3
Debt*	429.4	594.1

EBITDA**	140.4	154.4
Free cash flow***	-18.2	81.4

* Including short-term and long-term debt

** EBITDA is defined as net income before income tax expense, depreciation and amortization expense, interest income (expense) adjusted for stock compensation costs and acquisition and restructuring expenses. EBITDA is the noted quarter value.

***Free cash flow is defined as net cash provided (used) by operating activities less capital expenditures. FCF is the noted quarter value.

APPENDIX

RECONCILIATION FROM GAAP TO NON-GAAP FINANCIALS

	Year to Date	
	Q3 18	Q3 17
GAAP net income (loss) from continuing operations	\$ 174,175	\$135,757
GAAP net income (loss) from continuing operations per share-diluted	\$ 6.98	\$ 5.49
Stock compensation	20,251	18,075
Intangibles amortization	32,563	31,169
Restructuring charges	2,275	6,109
Tax Adjustments - U.S. Tax Cuts and Jobs Act	41,745	-
Tax Adjustments - stock compensation	(12,754)	-
Pro forma acquisition costs	529	17,425
Ticking fee for debt commitment	-	1,844
(Gain)loss on hedge of credit agreement commitment and debt issuance	-	(7,147)
Impairment(recovery) of assets	766	-
Gain on business combination	-	(3,426)
Purchase accounting step-up amortization	574	19,042
Non-GAAP net income (loss) from continuing operations	\$ 260,124	\$218,848
Non-GAAP net income (loss) from continuing operations per share-diluted	\$ 10.42	\$ 8.85

	Year to Date	
	Q3 18	Q3 17
Net Income from continuing operations % of net sales	12.1%	11.0%
Income tax expense (benefit)	7.7%	5.3%
Interest and other income (expense) net	2.0%	1.3%
Depreciation and amortization	5.9%	6.1%
Restructuring charges	0.2%	0.7%
Purchase accounting step-up	0.0%	2.2%
Gain on business combination	0.0%	(0.4%)
Costs related to acquisitions	0.0%	1.4%
Stock based compensation	1.7%	1.9%
Pro Forma EBITDA % of net sales	29.6%	29.5%