| $11 . V$ |  | ND |  |  |  |  |  | CENT | $34.3$ | P/E RATIO | $19$ | $\left(\begin{array}{l} \text { Trai } \\ \text { Med } \end{array}\right.$ | $\begin{aligned} & \text { ing: 27.5 } \\ & \text { an: } 22.0 \text { ) } \end{aligned}$ | $\begin{array}{\|l\|l\|} \hline \text { RELATIVE } \\ \text { P/E RATII } \end{array}$ | $1.3$ | $\begin{aligned} & \hline \text { DIV'D } \\ & \text { YLD } \end{aligned}$ |  |  | ALUE LINE |  |
| :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: | :---: |
| TIMELIN | $\text { NESS } 2$ | Raised 8/1 |  | High: Low: | 5.9 <br> 1.6 | $\begin{array}{r}18.5 \\ 4.6 \\ \hline\end{array}$ | 9.4 5.3 | 9.8 5.6 | $\begin{array}{r} 13.1 \\ 7.2 \end{array}$ | $\begin{aligned} & 22.3 \\ & 10.7 \end{aligned}$ | $\begin{aligned} & \hline 21.8 \\ & 13.1 \end{aligned}$ | $\begin{aligned} & 29.0 \\ & 14.9 \end{aligned}$ | $\begin{aligned} & 37.0 \\ & 24.0 \end{aligned}$ | $\begin{aligned} & 48.3 \\ & 14.0 \end{aligned}$ | $\begin{aligned} & \hline 33.0 \\ & 14.9 \end{aligned}$ | $\begin{aligned} & 37.9 \\ & 25.2 \end{aligned}$ |  |  | Target Pric 2013201 | Range $2015$ |
| SAFET |  | Raised 9/3 |  | LEGEN | DS |  |  |  |  |  |  |  |  |  |  |  |  |  |  | -120 |
| TECHN |  |  |  | - | x ${ }^{\text {a }}$ | Strength |  |  |  |  |  |  |  |  |  |  |  |  |  | 100 |
| BETA | 5 |  |  | 2-for-1 | 9/00 | (reng |  |  |  |  |  |  |  |  |  |  |  |  |  | 80 |
| BETA | 15 (1.00 = | Market) |  | 2-for-1 | 3/05 |  |  |  |  |  |  |  |  |  |  |  |  |  |  | 64 |
| 2013 | 3-15 PRO | JECTIO |  | Options: <br> Shaded | es area: pria | recession |  |  |  |  |  |  |  |  |  |  |  |  |  | 48 |
|  | Price |  | n'l Total Return | Latest rec | ession beg | gan 12/07 |  |  |  |  |  |  |  |  |  |  |  |  |  | 48 |
| High | $70 \quad(+1)$ |  | $20 \%$ |  |  |  |  |  |  |  | 2-for-1 |  |  |  |  | - |  |  |  | 32 |
| $\begin{aligned} & \text { Hign } \\ & \text { Low } \end{aligned}$ | $50 \begin{gathered} \text { (+1 } \\ \hline \end{gathered}$ | -45\%) | 20\% |  |  |  |  |  |  |  |  | - | 111 |  |  |  |  |  |  | 24 |
| Insider | Decisi | ons |  |  |  |  |  |  |  |  |  | ${ }^{\text {Il }}$ |  |  | II |  |  |  |  | 20 |
|  | O N D | J F M | A M J |  |  |  |  |  |  |  | $\\|^{\mid 1 I_{11}}$ |  |  |  | 1 |  |  |  |  | 16 |
| to Buy | $000$ | O 00 | $\begin{array}{ll}A & M \\ 0 & 0\end{array}$ |  |  |  |  |  |  | \\||l|l |  |  |  |  |  |  |  |  |  | 12 |
| $\begin{aligned} & \text { Options } \\ & \text { to Sell } \\ & \hline \end{aligned}$ | $\begin{array}{lll}0 & 0 & 0 \\ 0 & 0 & 0 \\ 1 & 1 & 1\end{array}$ | $\begin{array}{llll}0 & 0 & 0 \\ 0 & 0 & 0 \\ 1 & 1 & 1\end{array}$ | $\begin{array}{llll}0 & 1 & 0 \\ 2 & 2 & 0 \\ 3 & 4 & 1\end{array}$ |  |  | 4 |  |  | \||| ${ }^{1}$ |  |  |  |  | **** |  |  |  |  |  |  |
| Institut | tional D | ecision |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | THIS VIL 7 ARITH. |  |
|  | 302009 | 402009 | 102010 |  |  |  |  | $1{ }^{117}$ |  |  | - | $\because$ |  |  |  |  |  |  | STOCK INDEX |  |
| to Buy | 66 | 73 | 53 | shares |  |  |  |  |  |  |  |  |  |  |  |  |  |  | $\begin{array}{lr}42.9 & 25.3 \\ 38.1\end{array}$ |  |
| to Sell Hld's 000 ) | $\begin{array}{r} 42 \\ 17403 \end{array}$ | $\begin{array}{r} 41 \\ 18249 \end{array}$ |  | traded |  |  | Hind | $\cdots$ |  |  |  |  |  |  |  | \| 1 | |  |  | $\begin{array}{rr}38.1 & 3.4 \\ 78.4 & 26.3\end{array}$ |  |
| 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | $\bigcirc$ © VAL | JE LINE PUB., INC. | 13-15 |
| . 84 | 1.22 | 1.50 | 1.94 | 2.38 | 2.43 | 2.86 | 4.43 | 4.05 | 4.51 | 5.22 | 6.19 | 7.35 | 8.20 | 10.58 | 9.89 | 11.15 | 13.55 | Revenu | s per sh ${ }^{(A)}$ | 17.75 |
| . 11 | . 20 | . 27 | . 37 | . 41 | . 40 | . 48 | . 65 | . 57 | . 74 | . 93 | 1.20 | 1.40 | 1.70 | 2.17 | 1.71 | 1.85 | 2.25 | "Cash | ow" per sh | 3.15 |
| . 03 | . 12 | . 18 | . 27 | . 26 | . 21 | . 28 | . 34 | . 26 | . 41 | . 59 | . 83 | . 95 | 1.25 | 1.62 | 1.17 | 1.25 | 1.70 | Earning | per sh ${ }^{(A)}$ (B) | 2.40 |
|  | .- |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | Nil | Div'ds | decl'd per sh | Nil |
| . 07 | . 11 | . 24 | . 27 | . 80 | . 21 | . 34 | . 60 | . 31 | . 25 | . 44 | . 56 | . 49 | . 63 | . 60 | 53 | . 45 | . 45 | Cap'ISp | ending per sh | . 60 |
| . 64 | . 75 | 1.36 | 1.56 | 1.94 | 2.15 | 2.55 | 3.21 | 3.48 | 3.93 | 4.56 | 5.07 | 5.39 | 6.84 | 9.71 | 10.91 | 13.25 | 15.65 | Book Va | lue per sh | 19.35 |
| 22.34 | 22.68 | 25.33 | 27.21 | 25.80 | 25.37 | 25.81 | 27.82 | 28.07 | 28.40 | 28.90 | 31.35 | 31.63 | 32.09 | 29.88 | 29.54 | 31.00 | 31.00 | Commo | Shs Outst'g (C) | 31.00 |
| 12.0 | 11.2 | 19.1 | 20.4 | 21.6 | 10.6 | 22.7 | 25.2 | 29.6 | 19.9 | 20.6 | 21.7 | 19.3 | 21.5 | 20.6 | 22.3 | Bold figu | ures are | Avg Ann | IP/E Ratio | 25.0 |
| . 79 | . 75 | 1.20 | 1.18 | 1.12 | . 60 | 1.48 | 1.29 | 1.62 | 1.13 | 1.09 | 1.16 | 1.04 | 1.14 | 1.24 | 1.47 |  | Line | Relative | P/E Ratio | 1.65 |
|  |  |  |  |  | .- | .- | .- | .- | .- | .- |  | .. |  | .- |  |  | ates | Avg Ann | 'I Div'd Yield | Nil |
|  |  |  |  |  |  | 73.8 | 123.3 | 113.7 | 128.2 | 150.8 | 194.0 | 232.5 | 263.2 | 316.2 | 292.2 | 345.1 | 420 | Revenu | (\$mill) (A) | 550 |
| CAPITAL STRUCTURE as of $6 / 30 / 10$Total Debt $\$ 3.4$ mill. $\quad$ Due in 5 Yrs $\$ 3.4$ mill. |  |  |  |  |  | 20.8\% | 21.9\% | 17.7\% | 20.7\% | 22.8\% | 24.4\% | 23.4\% | 24.7\% | 24.4\% | 21.6\% | 22.5\% | 24.0\% | Operatin | g Margin | 24.0\% |
| LT Debt $\$ 3.4$ mill. LT Interest $\$ .2$ mill. <br> (LT interest earned: NMF; total interest coverage: NMF) <br> ( $1 \%$ of Cap'l) |  |  |  |  |  | 5.0 | 8.7 | 8.8 | 9.4 | 9.6 | 12.7 | 15.8 | 16.7 | 15.5 | 15.4 | 19.0 | 20.0 | Depreci | ation (\$mill) | 23.0 |
|  |  |  |  |  |  | 7.4 | 9.5 | 7.3 | 11.6 | 17.3 | 24.8 | 28.4 | 38.0 | 49.3 | 35.3 | 37.7 | 50.0 | Net Pro | it (\$mill) | 75.0 |
|  |  |  |  |  |  | 25.0\% | 34.8\% | 23.6\% | 27.6\% | 29.0\% | 26.8\% | 27.1\% | 23.9\% | 23.1\% | 23.8\% | 27.0\% | 27.0\% | Income | Tax Rate | 27.0\% |
|  |  |  |  |  |  | 10.1\% | 7.7\% | 6.4\% | 9.1\% | 11.5\% | 12.8\% | 12.2\% | 14.4\% | 15.6\% | 12.1\% | 10.9\% | 11.9\% | Net Prof | it Margin | 13.6\% |
| Leases, Uncapitalized: Annual rentals $\$ 3.1$ mill. No Defined Benefit Pension Plan |  |  |  |  |  | 24.4 | 34.0 | 35.7 | 40.2 | 46.8 | 73.8 | 82.6 | 108.1 | 179.8 | 198.2 | 215.1 | 230 | Workin | Cap'I (\$mill) | 300 |
| Pfd Stock None. |  |  |  |  |  | 5.5 | 33.2 | 29.4 | 16.8 | 8.0 | 41.2 | 23.6 | 14.9 | 3.8 | 3.7 | 3.4 | 3.0 | Long-T | rm Debt (\$mill) | Nil |
|  |  |  |  |  |  | 65.8 | 89.4 | 97.7 | 111.5 | 131.9 | 158.9 | 170.6 | 219.4 | 290.1 | 322.4 | 410.4 | 485 | Shr. Eq | ity (\$mill) | 600 |
| Common Stock 30,778,951 shs.as of $5 / 3 / 10$ |  |  |  |  |  | 10.7\% | 8.7\% | 6.3\% | 9.3\% | 12.5\% | 12.6\% | 15.0\% | 16.4\% | 16.8\% | 10.8\% | 9.2\% | 10.5\% | Return | n Total Cap'l | 12.5\% |
|  |  |  |  |  |  | 11.3\% | 10.6\% | 7.4\% | 10.4\% | 13.1\% | 15.6\% | 16.7\% | 17.3\% | 17.0\% | 10.9\% | 9.2\% | 10.5\% | Return | n Shr. Equity | 12.5\% |
| MARKET CAP: $\$ 1.1$ billion (Mid Cap) |  |  |  |  |  | 11.3\% | $10.6 \%$ | $7.4 \%$ | $10.4 \%$ | $13.1 \%$ | $15.6 \%$ | $\begin{array}{r} 16.7 \% \\ .- \\ \hline \end{array}$ | $17.3 \%$ | $17.0 \%$-- | $\begin{array}{r} 10.9 \% \\ \hline . \\ \hline \end{array}$ | 9.2\%.- | $\begin{array}{r} 10.5 \% \\ \text { Nil } \end{array}$ | Retained to Com Eq All Div'ds to Net Prof |  | 12.5\% |
| CURRE (\$MIL | NT POSI | TION | $2008$ | $2009$ | $6 / 30 / 10$ |  |  |  |  |  |  |  |  |  |  |  |  |  |  | Nil |


| Cash Assets | 72.8 | 95.9 | 108 |
| :---: | :---: | :---: | :---: |
| Receivables | 55.9 | 43.1 | 78.6 |
| Inventory (Avg Cst) | 69.6 | 76.6 | 81.4 |
| Other | 28.0 | 14.7 | 20.3 |
| Current Assets | 226.3 | 230.3 | 288.3 |
| Accts Payable | 16.4 | 5.5 | 21.3 |
| Debt Due |  |  |  |
| Other | 30.1 | 26.6 | 51.9 |
| Current Liab. | 46.5 | 32.1 | 73 |


| ANNUAL RATES | Past | $\begin{array}{c}\text { Past }\end{array}$ |  |
| :--- | :---: | :---: | :---: |
| $\begin{array}{l}\text { Est'd '07''09 } \\ \text { of change (per sh) }\end{array}$ | 10 Yrs. | 5 YYs. |  |
| to 133.15 |  |  |  |$)$

Fiscal QUARTERLY REVENUES (\$ mill.) (A) Full | Year |
| :--- | :--- | :--- | :--- |
| Ends | Sep. 30 Dec. 31 Mar.31 Jun. \(30 \begin{aligned} \& Fiscal \\

\& Year\end{aligned}\) \begin{tabular}{|l|lllll|}
\hline 2007 \& 60.8 \& 63.3 \& 67.1 \& 72.0 \& 263.2 \\
2008 \& 72.7 \& 70.7 \& 81.0 \& 91.8 \& 316.2 \\
2009 \& 87.7 \& 74.3 \& 64.1 \& 66.1 \& 292. \\
\hline

 

2009 \& 87.7 \& 74.3 \& 64.1 \& 66.1 \& 292.2 \& f \\
2010 \& 65.5 \& 68.9 \& 97.5 \& 113.2 \& 345.1 \& s \\
2011 \& 105 \& 105 \& 103 \& 107 \& 420 \& S

 

2011 \& 105 \& 105 \& 103 \& 107 \& 420 \\
\hline Fiscal \& EARNINGS PER SHARE (A) (B) \& Full

 

$\begin{array}{c}\text { Year } \\
\text { Ends }\end{array}$ \& Sep. 30 \& Dec. 31 \& Mar. 31 \& Jun. 30
\end{tabular} \(\begin{gathered}Fiscal \\

Year\end{gathered}\)

|  | Cns | Year |  |  |  |
| ---: | ---: | ---: | ---: | ---: | ---: |
| 2007 | .25 | .30 | .33 | .37 | 1.25 |
| 2009 | .32 | .36 | .44 | .50 | 1.62 |
| 2010 | .21 | .28 | .23 | .21 | 1.17 |
| 2011 | .41 | .20 | .33 | .51 | 1.25 |


| Cal- |
| :---: | :---: | :---: | :---: |
| endar | | QUARTERLY DIVIDENDS PAID |
| :---: |
| Mar 31 |

2006
2008
2009
NO CASH DIVIDENDS BEING PAID

BUSINESS: II-VI (pronounced "two-six"), Inc. develops, manufactures, and markets high-technology materials for over 5,000 customers in a wide variety of commercial and defense applications. Products utilize advanced material growth technologies, coupled with proprietary high-precision fabrication, micro-assembly, and thin-film coating production processes. Plants in U.S.

## II-VI finished fiscal 2010 (ended J une

 30th) with better-than-expected results. During the fourth quarter, the company reported a $71 \%$ jump in year-overyear sales, while share net more than doubled. Customer demand was robust across all markets, with the Near-I nfrared Optics group posting the strongest gains. This was largely due to the recent acquisition of Photop Technologies, which continues to see increased demand from telecom, consumer, and medical markets. The Infrared Optics group also posted good results, thanks to higher shipments to highpower CO2 laser optics customers.We look for fiscal 2011 top- and bottom-line growth of $22 \%$ and $36 \%$, respectively. Bookings as of J une 30th were a record $\$ 113$ million. Industrial market demand has been gaining strength, while bookings for Infrared Optics rose $76 \%$ from a year ago. Management has been doing a good job of integrating Photop into the company, and this addition has been performing better than expected thus far. Photop's increased demand from the telecom market has been driven by elevated bandwidth usage that

Singapore, China, Germany, and Vietnam. Company-funded R\&D: $6.1 \%$ of 2009 sales. 2009 depr. rate: $5.3 \%$. Has 1,913 employees. Foreign sales: $39 \%$ of total. Officers/directors own $19.9 \%$ of stock; Chairman Dr. C. Johnson, 11.6\% (9/09 Proxy). President: F. Kramer. Inc.: PA. Addr.: 375 Saxonburg Blvd., Saxonburg, PA 16056. Tel.: 724-352-4455. Internet: www.ii-vi.com.
are resulting from higher Internet traffic worldwide. The global deployment of 40G optical networks, and substantial infrastructure investments in Asia (in order to support mobile communications and computing applications) are also expected to boost results at II-VI.
Management continues to make investments in order to keep up with rising demand. It has increased its workforce, and has committed more funds for its research and development program. Production capacity expansion is taking place at some of its manufacturing sites, and it is near completion of a new sapphire fabrication facility. These moves ought to allow the company to support higher demand.
Shares of II-VI are ranked to outperform the broader market averages over the coming six to 12 months. We think demand from most markets will remain robust, and this should drive solid earnings gains during this time frame. Over the 3- to 5 -year period, these shares offer decent appreciation potential at the current quotation. I ason Dalavagas

August 27, 2010

