

# Lumentum to Acquire Oclaro

Best-in-class to join forces to accelerate innovation

March 12, 2018



# Cautionary Note Regarding Forward Looking Statements

*This communication contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these words or other similar terms or expressions that concern Lumentum’s and/or Oclaro’s expectations, strategy, plans or intentions. Lumentum’s and Oclaro’s expectations and beliefs regarding these matters may not materialize, and actual results in future periods are subject to risks and uncertainties that could cause actual results to differ materially from those projected, including but not limited to: the risk that the transaction does not close, due to the failure of one or more conditions to closing or the failure of the businesses (including personnel) to be integrated successfully after closing; the risk that synergies and non-GAAP earnings accretion will not be realized or realized to the extent anticipated; uncertainty as to the market value of the Lumentum merger consideration to be paid in the merger; the risk that required governmental or Oclaro stockholder approvals of the merger (including U.S. or China antitrust approvals) will not be obtained or that such approvals will be delayed beyond current expectations; the risk that following this transaction, Lumentum’s financing or operating strategies will not be successful; litigation in respect of either company or the merger; and disruption from the merger making it more difficult to maintain customer, supplier, key personnel and other strategic relationships.*

*The forward-looking statements contained in this communication are also subject to other risks and uncertainties, including those more fully described under the caption “Risk Factors” and elsewhere in Lumentum’s and Oclaro’s filings with the Securities and Exchange Commission (“SEC”), including Lumentum’s Annual Report on Form 10-K for the year ended July 1, 2017, Lumentum’s Quarterly Report on Form 10-Q for the fiscal quarter ended December 30, 2017, Oclaro’s Annual Report on Form 10-K for the year ended July 1, 2017, Oclaro’s Quarterly Report on Form 10-Q for the fiscal quarter ended December 30, 2017, and those discussed under the caption “Risk Factors” in the S-4 to be filed by Lumentum with the SEC at a future date in connection with this transaction and in the documents which are incorporated by reference therein. The forward-looking statements in this press release are based on information available to Lumentum and Oclaro as of the date hereof, and each of Lumentum and Oclaro disclaims any obligation to update any forward-looking statements, except as required by law.*

# Additional Information and Where to Find It/Participants in the Merger Solicitation

*This communication is being made in respect of a proposed business combination involving Lumentum Holdings Inc. and Oclaro, Inc. In connection with the proposed transaction, Lumentum will file with the SEC a Registration Statement on Form S-4 that includes the preliminary proxy statement of Oclaro and that will also constitute a prospectus of Lumentum. The information in the preliminary proxy statement/prospectus is not complete and may be changed. Lumentum may not sell the common stock referenced in the proxy statement/prospectus until the Registration Statement on Form S-4 filed with the SEC becomes effective. The preliminary proxy statement/prospectus and this communication are not offers to sell Lumentum securities, are not soliciting an offer to buy Lumentum securities in any state where the offer and sale is not permitted and are not a solicitation of any vote or approval. The definitive proxy statement/prospectus will be mailed to stockholders of Oclaro.*

**LUMENTUM AND OCLARO URGE INVESTORS AND SECURITY HOLDERS TO READ THE DEFINITIVE PROXY STATEMENT/PROSPECTUS AND OTHER DOCUMENTS FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.**

*Investors and security holders will be able to obtain these materials (when they are available) and other documents filed with the SEC free of charge at the SEC's website, [www.sec.gov](http://www.sec.gov). Copies of documents filed with the SEC by Lumentum (when they become available) may be obtained free of charge on Lumentum's website at [www.lumentum.com](http://www.lumentum.com) or by directing a written request to Lumentum Holdings Inc., Investor Relations, 400 North McCarthy Boulevard, Milpitas, CA 95035. Copies of documents filed with the SEC by Oclaro (when they become available) may be obtained free of charge on Oclaro's website at [www.oclaro.com](http://www.oclaro.com) or by directing a written request to Oclaro, Inc. Investor Relations, 225 Charcot Avenue, San Jose, CA 95131.*

*Each of Lumentum Holdings Inc., Oclaro, Inc. and their respective directors, executive officers and certain other members of management and employees may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information regarding these persons who may, under the rules of the SEC, be considered participants in the solicitation of Oclaro stockholders in connection with the proposed transaction is set forth in the proxy statement/prospectus described above filed with the SEC. Additional information regarding Lumentum's executive officers and directors is included in Lumentum's definitive proxy statement, which was filed with the SEC on September 19, 2017. Additional information regarding Oclaro's executive officers and directors is included in Oclaro's definitive proxy statement, which was filed with the SEC on September 27, 2017. You can obtain free copies of these documents using the information in the paragraph immediately above.*

 LUMENTUM + OCLARO 

*Pro Forma CY17:*

\$1.7B Revenue

19% Operating Margin<sup>(1)</sup>

(1) Non-GAAP

Leadership positions:

Telecom Transmission

Telecom Transport

3D Sensing Lasers

Key assets:

>1,300 engineers

>2,000 patents

Best in-class photonic chips

Based on company financial results and internal estimates

# Accelerating the scale and speed of:

Cloud

Networking

Advanced  
Manufacturing

3D Sensing



**\$8-10B CY18 Addressable Market**

# Transaction Strategic Rationale

Complementary product leadership positions drive scale, enhanced customer relevance

R&D capabilities accelerate innovation and product differentiation

Leading photonic chip capabilities across Optical Communications and 3D Sensing

>\$60 million annual run-rate synergies within 12-24 months

Best-in-class financial model

**Accretive combination creates significant shareholder value**

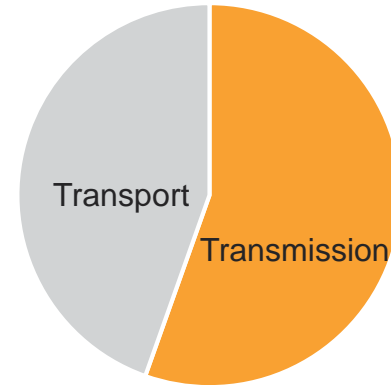
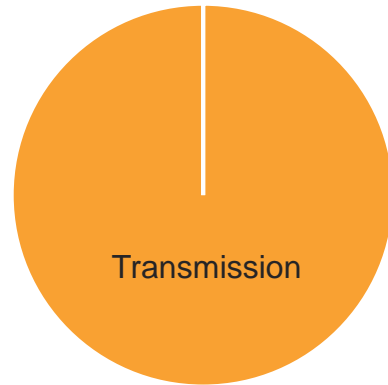
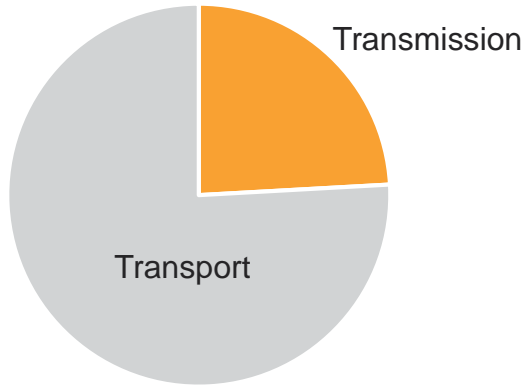
# Pro Forma Revenue Mix (FY18 Year To Date)

Combination Diversifies Revenue Between End Markets and Within Telecom



Pro Forma Combined

Telecom



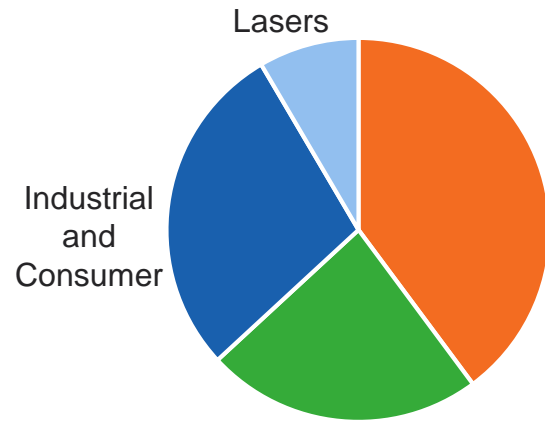
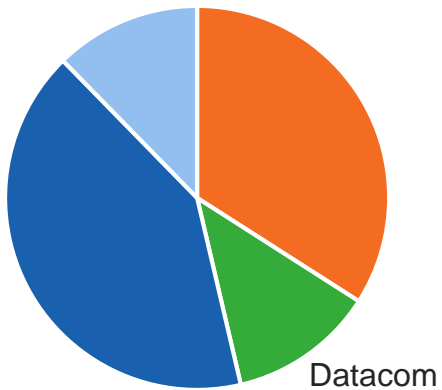
Telecom Transmission include:

- Coherent Components
- Coherent Modules

Telecom Transport include:

- ROADMs and Linecards
- Optical Amplifiers
- Pump Lasers
- Submarine Products

Company



Industrial and Consumer:

- 3D Sensing Lasers
- Industrial Diode Lasers

# Complementary chip leadership drives sustainable product differentiation

	3D Sensing	Datacom	Telecom Transmission	Telecom Transport	Industrial Lasers
Level of Integration	SUBSYSTEMS			<p>Linecards and Greyboxes</p>	<p>Laser Systems</p>
	MODULES	<p>Transceiver Modules</p>	<p>Coherent Transceiver Modules</p>	<p>WSS Modules</p> <p>Amplifier Modules</p>	<p>Laser Engines</p>
	COMPONENTS		<p>NLW Lasers</p> <p>Integrated Tx and Rx Coherent Sub-Assemblies</p>	<p>Telecom Pump Lasers</p>	<p>Industrial Pump Lasers</p>
Chip Technology	<p>3DS VCSEL</p> <p>3DS EEL</p>	<p>VCSEL</p> <p>EML</p> <p>DML</p>	<p>Coherent: Modulators   Lasers   Receiver PICs</p>	<p>LCoS</p> <p>Telecom Pump</p>	<p>Industrial Diode Lasers</p>
Key capability	✓	✓	✓	✓	✓



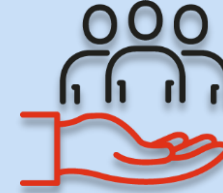
# Benefits For Key Stakeholders

## Customers



- Stronger broad product portfolio
- Accelerated product roadmaps
- Enhanced technology innovation
- Stronger partner

## Employees



- Cultural alignment between teams
- Broader scope and scale
- Career growth opportunities
- Larger global footprint

## Investors



- Diverse and growing end markets
- A leader in Telecom and 3D sensing
- Enhanced scale and profitability
- Sustainable best in class financial model

# Best in Class Business Model

## Pro Forma Non-GAAP Income Statement Items

		Lumentum CY17	Oclaro CY17	Combined (no synergies)	Long Term
<ul style="list-style-type: none"> <li>▪ Product differentiation and scale drive profitability</li> <li>▪ Strong investments in innovation</li> <li>▪ &gt;\$60M annual run rate synergies within 12-24 months of closing</li> <li>▪ Immediately EPS accretive</li> </ul>	Revenue	\$1,126	\$606	\$1,733	
	Gross Margin	38%	41%	39%	40-45%
	R&D % of revenue	12%	10%	11%	11-12%
	SG&A % of revenue	8%	9%	8%	<6%
	Operating Income	\$196	\$133	\$329	
	Operating Margin	17%	22%	19%	22-28%

# Transaction Overview

<b>Transaction Consideration</b>	<ul style="list-style-type: none"> <li>▪ Approximately \$1.8 billion total consideration</li> <li>▪ Approximately 56%/44% cash/stock mix</li> <li>▪ Oclaro shareholders to own ~16% of combined company</li> </ul>
<b>Oclaro Per Share Consideration</b>	<ul style="list-style-type: none"> <li>▪ \$9.99 per share as of Lumentum's 03/09/18 closing stock price</li> <li>▪ \$5.60 per share in cash</li> <li>▪ 0.0636 Lumentum shares<sup>(1)</sup></li> </ul>
<b>Sources of Financing</b>	<ul style="list-style-type: none"> <li>▪ \$416M cash from combined balance sheets</li> <li>▪ \$550M fully committed term loan B</li> <li>▪ \$859M Lumentum equity issuance</li> </ul>
<b>Approval Process</b>	<ul style="list-style-type: none"> <li>▪ Approval by Oclaro shareholders</li> <li>▪ Customary regulatory approvals</li> </ul>
<b>Expected Timeline</b>	<ul style="list-style-type: none"> <li>▪ Second half of 2018 closing, subject to customary closing conditions</li> </ul>

(1) Subject to adjustment per the terms of the merger agreement

# Transaction Financing

## Credit Facility

- \$550M total consideration
  - 7-year covenant-lite senior secured Term Loan B
  - Secured leverage of 1.1x<sup>(1)</sup>

## Pro Forma Capitalization Statistics

		x Pro Forma LTM EBITDA <sup>(1)</sup>
Total debt	\$1,000M	2.1x
Cash	\$500M	-
Net debt	\$500M	1.1x

(1) Includes ~\$60 million of cost synergies

