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# EDITED TRANSCRIPT

IIVI - II-VI Inc Annual Shareholders Meeting

EVENT DATE/TIME: NOVEMBER 09, 2018 / 8:00PM GMT



NOVEMBER 09, 2018 / 8:00PM, IIVI - II-VI Inc Annual Shareholders Meeting

## CORPORATE PARTICIPANTS

**Francis J. Kramer** *II-VI Incorporated - Chairman of the Board*

**Jo Anne Schwendinger** *II-VI Incorporated - Chief Legal & Compliance Officer and Secretary*

**Mary Jane Raymond** *II-VI Incorporated - CFO, Treasurer & Assistant Secretary*

**Vincent D. Mattera** *II-VI Incorporated - President, CEO & Director*

## PRESENTATION

### Operator

Good afternoon, everyone, and welcome to the II-VI Incorporated annual meeting of shareholders. I would now like to turn the conference call over to Mr. Fran Kramer, Chairman of the Board. Please go ahead.

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**Francis J. Kramer** *II-VI Incorporated - Chairman of the Board*

Good afternoon, ladies and gentlemen. It's now 3 PM, time to call the meeting to order. Turn your cellphones off.

I'm Francis Kramer, Chairman of the Board of Directors. We welcome you to the 2018 annual meeting of the shareholders. The meeting will take place in 2 parts. First, we'll conduct the formal business of the meeting, and the shareholders and individuals holding proxies on behalf of shareholders have the opportunity to post questions on these specific proposals. After the formal business meeting is adjourned, we'll open the floor for other questions you might have about II-VI's business. We'll conduct both parts of the meeting in accordance with the rules and procedures that were provided to you online or on entering the meeting room. If you are attending in person and you need to exit the meeting, please use the doors at the back of the room.

In attendance today is Jo Anne Schwendinger, our Chief Legal and Compliance Officer and Secretary of the company, who will serve as the secretary of this meeting. Now it's a pleasure for me to introduce the members of our Board of Directors and our officers who are here today. Please stand, as I say your name. Dr. Chuck Mattera, President and Chief Executive Officer; Marc Pelaez, Chief Independent Director; Joe Corasanti; Enrico Digirolamo; Dr. Shaker Sadasivam; William Schromm; Dr. Howard Xia; and officers of the company; Dr. Giovanni Barbarossa, II-VI CTO and President of the II-VI Laser Solutions segment; Gary Kapusta, Chief Operating Officer; Mary Jane Raymond, Chief Financial Officer and Treasurer, who will count votes -- Mary Jane Raymond; after that, Jo Anne Schwendinger, Chief Legal Officer and Compliance Officer and Secretary; David Wagner, Vice President of Human Resources worldwide. We will now proceed with the formal business of our meeting. Chuck Mattera and Marc Pelaez have been appointed as proxies on behalf of the Board of Directors. The Secretary will now confirm that a quorum of shares is represented in person or by proxy and that the meeting is duly convened for the conduct of business.

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**Jo Anne Schwendinger** *II-VI Incorporated - Chief Legal & Compliance Officer and Secretary*

Thank you, Fran. A notice of this meeting accompanied by the proxy statement and the company's latest annual report on Form 10-K, which includes the audited financial statements for fiscal year 2018, and the forms of proxy were first made available to shareholders on about September 21 of this year. An affidavit of that distribution was received by the company and together with a certified list of shareholders at the record date of September 7, 2018 will be filed with the records of this meeting. Dr. Giovanni Barbarossa and Mary Jane Raymond and I were previously appointed by the board as judges of elections for the meeting and we have a preliminary report from the judges of election. The judges report that immediately prior to the commitments -- commencement of the meeting at least 59,508,372 shares of the company's common stock were represented in person, obviously not in person entirely, or by proxy. This constitutes approximately 93% of the shares outstanding and entitled to vote at this meeting. Therefore, Fran, a quorum is present and the meeting is properly convened.



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### **Francis J. Kramer** - *II-VI Incorporated - Chairman of the Board*

Thank you. Ladies and gentlemen, we have 5 proposals to be voted on at this meeting. Polls for each matter to be voted on are now open to the extended shareholder who has not previously submitted a proxy or ballot or would like to change their prior vote. Mary, would you please present the proposals.

### **Mary Jane Raymond** - *II-VI Incorporated - CFO, Treasurer & Assistant Secretary*

Yes, I will. Thank you, Fran. The first item for consideration by the shareholders is the election of 3 directors. Chuck Mattera, Marc Pelaez and Howard Xia has each been nominated by the Board of Directors to serve as the Class I member of the board for a term of 3 years. No other persons have been nominated in accordance with our bylaws and the nominations are closed. The second item of business is the nonbinding advisory vote to approve the compensation paid to these named executive officers in fiscal year 2018, which was described in the proxy statement. The third item of business is to approve the 2018 employee stock purchase plan. The fourth item of business is to approve the 2018 Omnibus incentive plan. And the fifth item of business is to ratify the audit committee selection of Ernst & Young LLP as our independent accountant for the fiscal year ending June 30, 2019. And these matters are described in detail in the proxy statement relating to this meeting.

### **Francis J. Kramer** - *II-VI Incorporated - Chairman of the Board*

Thank you. Ladies and gentlemen, this concludes the introduction of our proposals to be presented at this meeting. We'll now take questions from shareholders and proxy holders on these proposals. If you are attending in person, please raise your hand and wait for the microphone before speaking. If you are listening via the live webcast, you may submit your questions through the submit a question box on the web portal, and click and submit. Please identify yourself by name and whether you are a shareholder or proxy holder. Please limit yourself to 1 question. Questions? None, questions on the proposals. Okay. Nothing further on proposals presented for shareholder consideration, I now declare the polls to be closed for the matters voted on at this meeting. At this time, we'll continue with the business of the meeting. I now ask the Secretary to please report on the preliminary results of the voting.

### **Jo Anne Schwendinger** - *II-VI Incorporated - Chief Legal & Compliance Officer and Secretary*

Fran, the preliminary results from the judges of election indicates that on the election of directors, over 92% of the shares represented in this meeting have been voted for the election of each of the nominees named in the proxy statement. With respect to the nonbinding advisory vote on the company's named executive officer compensation, over 94% of the shares represented at this meeting have been voted in favor of the company's named executive officer comp. On the 2018 employee stock purchase plan, over 99% of the shares represented at the meeting have been voted to approve the plan. And on the 2018 Omnibus incentive plan, over 97% of the shares represented at the meeting have been voted to approve the plan. And finally, over 99% of the shares represented at the meeting have been voted for the ratification of the appointment of Ernst & Young LLP as the company's independent registered public accounting firm for the fiscal year ending June 30, 2019. So each of the proposals that has been approved by the requisite number of shares based on the preliminary results and final results will be reported in the Form 8-K to be filed with the Securities and Exchange Commission within 4 business days. The report of the judges of election containing the final voting results will be attached to the minutes of this meeting and the ballots casts will be filed with the records of the meeting.

### **Francis J. Kramer** - *II-VI Incorporated - Chairman of the Board*

Thank you, Jo Anne. And at this time, we've transacted all the business to be conducted at this meeting and this meeting is now concluded and adjourned. Now we'll open the floor again, this time for other questions you might have about II-VI's business. As before, please raise your hand and wait for the microphone before speaking or submit your questions through the submit a question box on the web portal. Please be brief. Ask only one question and identify yourself by giving your name, indicating whether you're a shareholder or a proxy holder. Are there questions at this time? Okay.



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**Jo Anne Schwendinger** - *II-VI Incorporated - Chief Legal & Compliance Officer and Secretary*

Are there any online?

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**Unidentified Company Representative**

There's nothing on the web.

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**Francis J. Kramer** - *II-VI Incorporated - Chairman of the Board*

Okay. Before we close on questions, I would like to introduce [Joseph Masitushki], our worldwide engagement partner from Ernst & Young, the company's independent registered public accounting firm, who would be pleased to respond to appropriate questions you might have. Are there any questions? Joe, please.

(technical difficulty)

Back of the room. There are no questions? No questions? This does conclude the program for today. Thanks for coming. Thank you for your support of II-VI Incorporated. One last try. Please. No questions, you get no answers. Good. And over to you, Chuck, if you have something you might say to them. I know this isn't a regular

(technical difficulty)

put you on the spot, but so far our guests haven't asked a question, you could -- you have one moment.

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**Vincent D. Mattera** - *II-VI Incorporated - President, CEO & Director*

Okay. Good afternoon, everybody. Good afternoon. I'm happy to answer any questions. Today was an exciting day for II-VI. We are on a roll here from a company that started not too far from here in 1971. The core of the company, its dedicated people, down to earth, with their eyes toward the future, with their eyes toward something bigger, and there you are, which brings the whole company, well over 11,000 people in all, 52 locations around the world. The hard work, the dedication, the loyalty and the values that were started here, they've traveled to every place and they've helped make this company a great company.

Today, we made one of the biggest announcements in our company history, if not the biggest announcement in our history, and I'm really excited to be able to talk about it. We talked about it this morning with investors who joined us with no notice because we only finished the work that we had to do about 4:00 this morning, on a project that we've been working on for quite some time. And I'd like to just tell you quickly about this company, Finisar.

The company has, in a lot of ways, a similar set of roots as II-VI, founded by, about 30 years ago, by a small group of people who were aiming at the time to be able to create capabilities for data communications to take place. And they were the pioneer. They are the pioneer. They have built a really, really nice company. The same way that II-VI was built, there was many, many parallels, including its values, including its vertical integration strategy. And we actually share a lot of the same customers, but our product portfolios and our technology portfolios are largely complementary to each other. And they basically have 3 lines of business. They make these transceivers for data communications networks and for telecommunication networks. They make wavelength selective switches, around which maybe not quite half but a substantial amount of all the world's Internet traffic passes through. And you cannot have this kind of a capability that's highly differentiated, highly unique, and it is in the right place at the right time because we expect over the next 2 or 3 years minimum, inside the next 2 or 3 years to 5 years, this fifth generation of wireless communications, the fiber-optic communications is emerging.



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We know from our experience that with regard to markets, technologies that need to be ready, need to be mature, they need to be in place before the market comes. And if you spend a lot of money too early, you lose. And if you spend a lot of money too late getting ready for it, you lose. We believe that this is a right time, this is a right team with the right set of technologies to get ready for what we expect is going to be another large turn over the next 2 or 3 years. And I was in China with our part of our team in China on Wednesday and we heard that from a very large customer of ours that they are on the move, they've pulled up their deployments from 2022 to 2021 to 2020 now to 2019 to get started. So it feels like the right time. Today on the calls that we had with our customers, I would say without a doubt every single one of them we found to be really excited about our news. Of course, the stock market today didn't understand the news as well as our customers did, and we'll take that as a great opportunity for us in the days and weeks ahead to be able to do what we've done in the last couple of years to be able to explain the value proposition of our investments, the core competencies that come with them and the sources of sustainable competitive advantage, which we intend to build as we continue to do what we're supposed to do here and that is to build long-term shareholder value. So anyway, Fran, that's what I'd like to say. I'm happy to take any questions about our acquisition today, or any other part of our business. Yes, sir?

## QUESTIONS AND ANSWERS

**Francis J. Kramer** - *II-VI Incorporated - Chairman of the Board*

Let us give you a microphone real quick, please.

**Vincent D. Mattera** - *II-VI Incorporated - President, CEO & Director*

Okay, okay.

**Francis J. Kramer** - *II-VI Incorporated - Chairman of the Board*

So we can hear you.

**Unidentified Shareholder**

My name is [Darrell Kumer], I'm a shareholder from way back when. I just read about your recent acquisition early this morning on the Internet, and I was just wondering were they interested in selling their company, a, and b, was there other competitive bidders trying to acquire this company?

**Vincent D. Mattera** - *II-VI Incorporated - President, CEO & Director*

Well, that is a great question -- 2 great questions. Some of the analysts who cover the stock that talked to us this morning, they have the same questions. I would say this, even though we're a public company, there's -- a lot of the aspects of this kind of a process are necessarily private and it needs to stay that way until we get to a certain spot. If the transaction closes, and today, we -- this morning, we've signed, and we said that we expect the -- in order for this transaction to close, we need to have the shareholder approval of both companies. Both boards unanimously approved the transaction, but the shareholders of both companies also need to approve it. And then the regulatory agencies of the handful of countries that we both operate in, they need to approve it as well. So when we look and see how long that's taken for companies our size, we estimate in the middle of the summertime maybe, the middle of the calendar year next year seems to be reasonable. So it may take 6 months, it may take 12 months. It's possible that it could take even longer. But our best view is that we can get it done and optimistically about it around the middle of next year. So the answers to some of your questions, if we conclude, will be a matter of a public record because we're required to have some aspect of the transaction and the 2 companies' deliberations along the way will become public. But I would not be in a position to say, it will not be appropriate for me today to discuss any aspect of their considerations, other than to tell you the unanimous approval came as a result of the regard that they have for this platform, the leadership team, the board of the company and the belief that the power of the combination over the next few years will be much, much more powerful than the power of each company separate. Yes, sir?

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**Francis J. Kramer** - *II-VI Incorporated - Chairman of the Board*

Okay. Any other questions? Like pulling teeth, so we might have to give it up. Thanks everybody for attending. Thanks for your support, the shareholders of the company, and we look forward to seeing you again.

**Vincent D. Mattera** - *II-VI Incorporated - President, CEO & Director*

Okay. Thank you, everybody. Have a good afternoon. Thank you. Okay.

**Operator**

Ladies and gentlemen, the conference has concluded. We do thank you for attending today's presentation. You may now disconnect.

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