IPG Photonics Acquires Menara Networks to Capitalize on Growing Optical Pluggable Systems Market

Builds Out Company's Telecom Systems Product Offerings

OXFORD, Mass.--(BUSINESS WIRE)-- IPG Photonics Corporation (NASDAQ:IPGP) today announced that it has entered into a definitive agreement to acquire Menara Networks, Inc., an innovator of enhanced optical transmission modules and systems, allowing IPG to offer more integrated telecom solutions and expanding IPG's current telecom product offerings. Menara's products are deployed in leading cable multi-system operators (MSOs), carriers and data centers in North America and in selected international networks.

The acquisition provides IPG entry into the growing optical pluggable systems market and leverages IPG's international market access outside North America. The combination provides IPG with its own mixed signal ASIC proprietary designs that Menara is vertically integrating into advanced 100G/400G software-defined, flexible and configurable coherent DWDM transceiver modules. It expands IPG's telecom systems product offerings for 100G/400G markets with strong performance, cost advantaged, and accelerated time-to-market attributes. Major customers of Menara include a leading MSO, a large US data center operator and leading optical network system integrators, augmenting IPG's list of communications network operators and service providers worldwide.

“The acquisition of Menara Networks is in line with our strategy to make bolt-on acquisitions that provide us with the talent, technology and products to enter large complementary markets,” said Dr. Valentin Gapontsev, IPG Photonics’ Chairman and CEO. “Since IPG was founded in the 1990’s, telecom products have been a staple offering for IPG, part of our DNA. This acquisition broadens and complements our telecommunications offerings and provides significant sales synergies. Together, we can offer our customers an expanded telecom technology platform with more integrated products with superior performance and economics. The acquisition also affords IPG a better position to capitalize on the robust growth of optical networking driven by video and broadband access.”

“The on-going shift to cloud based services and infrastructure has placed unprecedented strain on data centers and telecom/cable operators’ optical networks and presents a significant opportunity for Menara's differentiated products,” comments Siraj Nour El-Ahmadi, Menara CEO, Chairman and Co-Founder. “We view the combination with IPG as a force multiplier to not only expand our market share vertically and geographically but just as importantly to bring about innovative and differentiated turn-key solutions that will effectively address the large and growing global DWDM market.”

IPG Photonics and Menara Networks had recently announced a partnership to provide an integrated solution for simplified repeater-less 100G DWDM transmission for metro and data center interconnection. Menara’s cost and foot-print-saving product suite of 10G and 100G WDM modules eliminate the need for high-priced transponder systems. Its suite of optical networking sub-systems is rapidly deployed, seamlessly integrated into current environments and requires minimal post-sales support.

Menara Networks had revenues of approximately $21 million in 2015 and is profitable. The cash purchase price is $46.8 million, subject to closing adjustments. Projected to close in the second quarter of 2016, the acquisition is expected to be accretive to IPG's earnings in 2018, but initially will have a dilutive effect of approximately $0.01 per share each quarter. It is immediately accretive excluding acquisition and retention-related expenses. The management team, including co-founders Siraj Nour El-Ahmadi and Salam Elaehmadi, and other employees of Menara Networks are planning to remain with the combined company.

About IPG Photonics Corporation

IPG Photonics Corporation is the world leader in high-power fiber lasers and amplifiers. Founded in 1990, IPG pioneered the development and commercialization of optical fiber-based lasers for use in diverse applications, primarily materials processing, as well as telecommunications, medical and advanced applications. Fiber lasers have revolutionized the industry by delivering superior performance, reliability and usability at a lower total cost of ownership compared with conventional lasers, allowing end users to increase productivity and decrease operating costs. IPG has its headquarters in Oxford, Massachusetts, and has additional plants and offices throughout the world. For more information, please visit www.ipgphotonics.com.

About Menara Networks

Menara Networks develops innovative products and solutions that greatly simplify today’s layered optical transport networks. Leveraging the company’s proprietary high speed ICs and its extensive expertise in optical networking and system design, Menara portfolio of OTN XFP, SFP+ and CFP modules provide optical networks with superior performance and improved service velocity while drastically reducing floor space, power consumption and overall network cost. The company's unique solutions continue to save carriers millions of CapEx dollars and eliminate the need for footprint, heat, and power associated with DWDM transponders in central offices and data centers around the world. For more information, visit www.menaranet.com.
Information and statements provided by IPG and its employees, including statements in this press release, that relate to future plans, events or performance are forward-looking statements. These statements involve risks and uncertainties. Any statements in this press release that are not statements of historical fact are forward-looking statements, including, but not limited to, development of advanced 100G/400G software configurable coherent DWDM modules, broadening and complementing IPG's telecommunications offerings, significant sales synergies, offering of turn-key solutions with superior performance and economics, capitalizing on the optical networking growth, expanding Menara's market share vertically and geographically, and developing turn-key solutions to effectively address global DWDM market. Factors that could cause actual results to differ materially include risks and uncertainties, including risks associated with the strength or weakness of the business conditions in industries and geographic markets that IPG serves, particularly the effect of downturns in the markets IPG serves; uncertainties and adverse changes in the general economic conditions of markets; IPG's ability to penetrate new applications for fiber lasers and increase market share; the rate of acceptance and penetration of IPG's products; inability to manage risks associated with international customers and operations; foreign currency fluctuations; high levels of fixed costs from IPG's vertical integration; the appropriateness of IPG's manufacturing capacity for the level of demand; competitive factors, including declining average selling prices; the effect of acquisitions and investments; inventory write-downs; intellectual property infringement claims and litigation; interruption in supply of key components; manufacturing risks; government regulations and trade sanctions; and other risks identified in IPG's SEC filings. Readers are encouraged to refer to the risk factors described in IPG's Annual Report on Form 10-K (filed with the SEC on February 26, 2016) and its periodic reports filed with the SEC, as applicable. Actual results, events and performance may differ materially. Readers are cautioned not to rely on the forward-looking statements, which speak only as of the date hereof. IPG undertakes no obligation to update the forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.


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