

**Sector:** Information Technology  
**Sub-Industry:** Communications Equipment  
**Peer Group:** Optical Components & Subsystems

**Summary:** This company designs, manufactures, and markets optical components, modules, and subsystems that generate, detect, amplify, combine, and separate light signals.

**Quantitative Evaluations**

**S&P Quality Ranking : NR**

**S&P Fair Value Rank: 1-**



**Fair Value Calc: \$1.10 (Overvalued)**

**S&P Investability Quotient Percentile**



BKHM scored lower than 97% of all companies for which an S&P Report is available.

**Volatility: High**



**Technical Evaluation: NEUTRAL**

Since July, 2008, the technical indicators for BKHM have been NEUTRAL.

**Relative Strength Rank: Strong**



**Investment Strategy**

Key financial variables to consider in assessing the investment merits of an industrial company are the following:

**Sales:** What is the trend? Is future sales growth expected to be greater than the past 5-year and 9-year growth average? Accelerating sales growth ultimately provides the fuel behind earnings growth.

**Net Margin:** As a key measure of company profitability, a rising net margin assesses management capability to wring out more net income from incremental sales.

**% LT Debt to Capitalization:** A rising percentage implies greater financial risk, all else being equal. Rising debt leverage without a concomitant rise in Return on Equity should raise warning signals of potential cash flow problems. Percentages above 40%-50% should also be considered a warning.

**% Return on Equity:** A key performance measurement of capital efficiency assesses what investment returns management can earn on a company's existing capital base. A sustained percentage above 20% is considered above average.

**Key Growth Rates and Averages**

Past Growth Rate (%)	1 Year	3 Year	5 Year	9 Year
Sales	-12.45	NA	NA	NA
Net Income	NM	NA	NA	NA

**Ratio Analysis (Average)**

	1 Year	3 Year	5 Year	9 Year
Net Margin	NM	NM	NM	NM
%LT Debt to Capitalization	Nil	5.87	9.30	8.01
% Return on Equity	NM	NA	NA	NA

**Revenues/Earnings Data** Fiscal year ending Jun. 30

Revenues (Million \$)	2008	2007	2006	2005	2004	2003
1Q	--	56.39	62.57	43.56	--	--
2Q	58.96	56.33	60.73	45.75	--	--
3Q	59.70	44.99	53.36	49.94	--	--
4Q	--	45.11	54.99	61.00	--	--
Year	--	202.8	231.7	200.3	--	159.0
Earnings per Share (\$)	2008	2007	2006	2005	2004	2003
1Q	--	-0.38	-0.02	-1.16	--	--
2Q	-0.06	-0.31	-0.28	-1.23	--	--
3Q	-0.05	-0.35	-0.90	-3.86	--	--
4Q	--	-0.17	-0.47	-1.16	--	--
Year	--	-1.17	-1.87	-7.43	-2.48	-6.80

**Next earnings report expected: Early August**

Historical GAAP earnings are as reported.

**Key Stock Statistics**

Average Daily Volume	<b>1.085 mil.</b>	Beta	<b>1.34</b>
Market Capitalization	<b>\$0.198 Bil.</b>	Trailing 12 Month EPS	<b>-\$0.40</b>
Institutional Holdings (%)	<b>68</b>	12 Month P/E	<b>NM</b>
Shareholders of Record	<b>10,668</b>	Current Yield (%)	<b>Nil</b>

Value of \$10,000 Invested five yrs Ago : **\$1,508**

**Please read the required disclosures and Reg. AC certification on the last page of this report.**

This report was prepared by Standard & Poor's Quantitative Services.

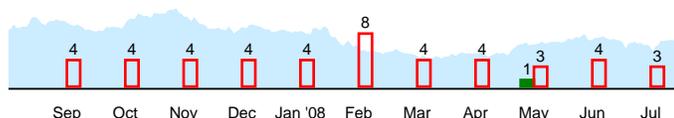
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**Wall Street Opinions/Average (Mean) Opinion: Buy/Hold**

	No. of Ratings	% of Total	1 Mo. Prior	3 Mo. Prior
Buy	1	17	0	0
Buy/Hold	2	33	2	3
Hold	3	50	3	4
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
<b>Total</b>	<b>6</b>	<b>100</b>	<b>5</b>	<b>7</b>

**Insider Moves**

Insider Buys Insider Sells Price History



**Dividend Data**

No Dividend Data Available

**Company Financials** Fiscal year ending Jun. 30

Per Share Data & Valuation Ratios (\$)	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Tangible Book Value	1.22	1.84	1.68	NA	6.70	10.80	23.50	35.50	2.81	3.25
Cash Flow	-0.84	-1.23	-6.46	NA	-3.47	-9.80	-8.16	-2.11	-2.27	-2.06
Earnings	-1.17	-1.87	-7.43	-2.48	-6.80	-10.80	-12.80	-3.60	-2.90	-2.70
Dividends	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	NA	NA
Payout Ratio	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	NA	NA
Prices:High	4.15	10.36	6.21	35.50	29.90	26.20	226.25	846.25	NA	NA
Prices:Low	1.96	2.29	1.56	4.08	10.10	6.40	10.70	120.00	NA	NA
P/E Ratio:High	NM	NM	NM	NM	NM	NM	NM	NM	NA	NA
P/E Ratio:Low	NM	NM	NM	NM	NM	NM	NM	NM	NA	NA

**Income Statement Analysis (Million \$)**

Revenue	203	232	200	NA	89.1	34.6	21.9	26.3	5.74	0.95
Operating Income	-47.2	-33.0	-77.4	NA	-76.2	-97.6	-116	-34.1	-22.7	-18.3
Depreciation	23.2	30.2	32.2	NA	9.19	9.29	8.36	4.57	3.97	2.49
Interest Expense	0.57	4.28	5.44	NA	1.93	0.45	0.48	0.57	0.58	0.17
Pretax Income	-82.1	-99	-248	NA	-81.5	-101	-113	-29.1	-26.0	-20.0
Effective Tax Rate	NM	NM	NM	NA	NM	NM	NM	NM	NM	NM
Net Income	-82.2	-87.5	-248	NA	-81.5	-101	-113	-29.1	-26.0	-20.0

**Balance Sheet & Other Financial Data (Million \$)**

Cash	42.7	37.8	24.9	NA	39.0	105	185	265	18.1	20.2
Current Assets	138	139	114	NA	86.2	151	192	287	23.7	22.1
Total Assets	205	237	238	NA	176	244	229	332	41.1	34.0
Current Liabilities	60.9	76.4	70.6	NA	20.7	29.3	17.4	25.6	10.2	5.84
Long Term Debt	Nil	Nil	19.5	NA	28.4	31.3	Nil	0.90	3.65	0.52
Common Equity	121	135	91.1	NA	117	180	211	304	27.3	27.7
Total Capital	121	135	111	NA	145	212	211	305	30.9	28.2
Capital Expenditures	6.43	10.1	16.0	NA	11.7	10.1	39.9	28.3	9.03	6.43
Cash Flow	-59.0	-57.3	-216	NA	-72.3	-92.1	-105	-24.5	-22.0	-17.5
Current Ratio	2.3	1.8	1.6	NA	4.2	5.1	11.1	11.2	2.3	3.8
% Long Term Debt of Capitalization	Nil	Nil	17.6	NA	19.6	14.8	Nil	0.3	11.8	1.9
% Net Income of Revenue	NM	NM	NM	NA	NM	NM	NM	NM	NM	NM
% Return on Assets	NM	NM	NM	NA	NM	NM	NM	NM	NM	NM
% Return on Equity	NM	NM	NM	NA	NM	NM	NM	NM	NM	NM

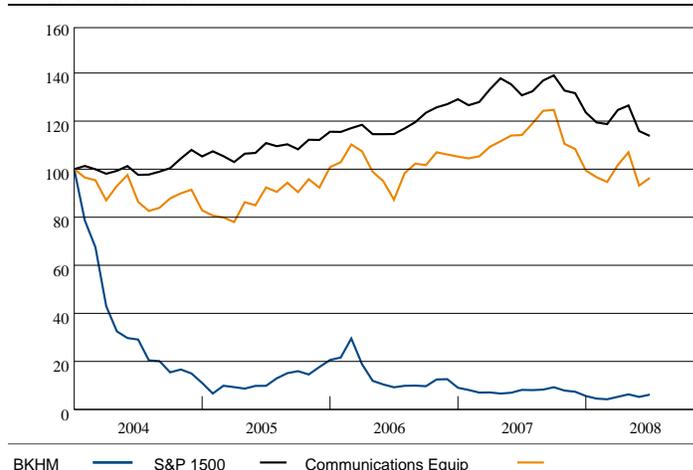
Data as orig. reptd; bef. results of disc opers/spec. items. Per share data adj. for stk. divs. as of ex-div date. NA-Not Available. NM-Not Meaningful. NR-Not Ranked.

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Pres & CEO: A. Couder  
Dir: J. Cook, L. Holland, W. A. Porter, D. Simpson, P. Bordui  
CFO & Investor Contact: Steve Abely(408-919-1500)

CTO: J. Haynes  
VP: A. Meldrum  
Founded: 2004  
Domicile: Delaware  
Employees: 1,985

**Stock Performance**



	Company(%)	Industry(%)	S&P 1500(%)
YTD Return	-16.4	-11.1	-13.5
One Year Return	-19.4	-18.6	-16.5
Three Year Return (% Annualized)	-14.5	2.2	1.1
Five Year Return (% Annualized)	-31.5	7.2	5.4
Value of \$10,000 Invested 5 Years Ago	\$1,508	\$14,187	\$12,979

**Sub-Industry Outlook**

Our fundamental outlook for the communications equipment sub-industry is neutral. The industry is highly competitive, with multiple vendors fighting to supply a concentrated base of telecom service providers that enjoy strong buyer bargaining power. We think barriers to entry are somewhat challenging as the market is a global business that demands scale economies. However, equipment suppliers are faced with the omnipresent threat of new technologies, with traditional products regularly replaced by more efficient and functional equipment. While we see strong pockets of industry growth for certain convergence-related products, the majority of capital spending is directed toward mature legacy and maintenance equipment. All told, we see low single digit industry growth in the communications equipment market in 2008.

In the enterprise networking market, industry sales growth has been hampered by a softening IT spending market, particularly in the U.S. Vendors across the industry are reporting order push-outs and delays as customers become overly cautious with their purchase approvals. In terms of supply, however, accelerating demand for video and Internet data applications is leading to network bandwidth constraints. Given the importance of the network for today's business activities as more applications require network access, we think enterprises will need to address this demand-driven growth or risk major disruptions to their business. Accordingly, Standard & Poor's expects enterprise-related spending on communication equipment to pick-up toward the end of 2008.

While enterprise spending has softened, the telecom equipment suppliers have experienced

solid product demand. We expect service providers to continue to spend on communication equipment even in a slower economy, as they need to address a rapid increase in network loads fueled by the proliferation of video over the Internet. Given the intensifying competitive environment, it is critical for telecom carriers to upgrade their networks or risk losing customers to the cable operators. Fiber access equipment is experiencing particularly strong demand in support of aggressive fiber to the home deployments. Industry sales growth can fluctuate widely quarter to quarter, however, given the uneven timing of carrier network rollouts.

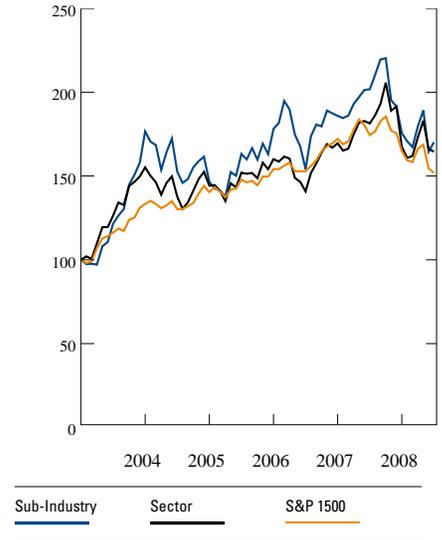
Year to date through July 18, the S&P Communications Equipment Index fell 17.5%, versus a 13.3% drop for the S&P 1500. With stocks edging toward the low end of their historical average valuation range, we see the sub-industry performing in line with the broader market.

--Ari Bensinger

**Stock Performance**

**GICS Sector: Information Technology**  
**Sub-Industry: Communications Equipment**

Based on S&P 1500 Indexes  
Month-end Price Performance as of 06/30/08



**NOTE:** All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

**Sub-Industry : Communications Equipment Peer Group\*: Optical Components & Subsystems**

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
<b>Bookham Inc</b>	<b>BKHM</b>	<b>198</b>	<b>1.99</b>	<b>3.39/1.13</b>	<b>1.34</b>	<b>Nil</b>	<b>NM</b>	<b>1.10</b>	<b>NR</b>	<b>3</b>	<b>NM</b>	<b>NA</b>
Alliance Fiber Optic	AFOP	57	1.38	2.45/1.15	2.62	Nil	15	NA	NR	35	2.5	1.4
Avanex Corp	AVNX	179	0.78	1.90/0.52	NM	Nil	NM	1.00	NR	3	NA	17.8
Corning Inc	GLW	32,286	20.50	28.07/19.31	1.14	1.0	12	24.30	B-	99	36.7	13.7
Finisar Corp	FNSR	445	1.44	4.13/1.06	2.45	Nil	NM	2.00	B-	14	NA	40.1
JDS Uniphase Corp	JDSU	2,571	10.94	16.05/9.49	1.84	Nil	NM	12.40	C	31	NM	31.8
Oplink Communications	OPLK	234	11.36	16.46/8.22	1.31	Nil	NM	11.90	NR	15	12.3	NA
Optelecom-NKF Inc	OPTC	31	8.50	9.20/6.05	0.14	Nil	18	NA	B	14	3.9	42.2
Zhone Technologies	ZHNE	60	0.40	1.64/0.28	2.22	Nil	NM	NA	NR	2	NM	10.9

NA-Not Available NM-Not Meaningful NR-Not Rated. \*For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

**S&P Analyst Research Notes and other Company News****July 16, 2008**

Bookham Inc. announced that Stephen Abely resigned as the Chief Financial Officer and Principal Accounting Officer, effective as of July 31, 2008. On July 10, 2008, the Board of Directors appointed Jerry Turin as its Chief Financial Officer and Principal Accounting Officer, effective as of August 1, 2008. Mr. Turin, age 46, has served as the Registrant's Corporate Controller since July, 2005 and has also been the Vice President of Finance since April 2008. From 1999 to 2002, Mr. Turin served as Controller of Silicon Spice Inc. Prior to joining Silicon Spice Inc., Mr. Turin was the Director of Corporate Accounting and Financial Planning & Analysis of Cirrus Logic Inc. and held various positions with Deloitte & Touche most recently as Senior Manager of Audit Services. Mr. Turin received his bachelor's degree in business administration and commerce from the University of Alberta in Alberta, Canada and is a member of the Canadian Institute of Chartered Accountants and the Institute of Chartered Accountants of Alberta. The Company also reconfirmed the financial guidance ranges for the fourth quarter of fiscal 2008, ended June 28, 2008, provided on April 28, 2008.

**May 15, 2008**

Bookham Inc. announced that Dr. Bernard Couillaud and Mr. Edward (Ted) Collins have been elected to the board of directors, effective immediately. Dr. Couillaud brings more than 25 years of executive level experience to Bookham. The majority of Dr. Couillaud's career was spent with Coherent Inc., where he served as President and CEO until 2002. Dr. Couillaud was the Chairman of Coherent's Board of Directors from October 2002 to June 2007, and the Chairman of the Supervisory Board of Lambda Physik AG, a German public company, from 2000 to 2005. Mr. Collins adds extensive investment banking, management and legal experience to Bookham. He is currently Managing Director and a Partner at ChinaVest where he is involved in private equity investments in China. He also serves as Chairman of the Board of the California Bank of Commerce, is a director and audit committee chairman of the Taiwan Greater China Fund, and is a director of MedioStream, based in Los Altos, California.

**May 7, 2008**

Bookham Inc. announced that on April 29, 2008, Dr. Stephen Turley resigned as Executive Vice President, HPL and VCSEL Business Unit and Corporate Business Development, effective as of April 30, 2008.

**April 29, 2008**

Bookham Inc. reported earnings results for the third quarter ended March 29, 2008. For the quarter, the company reported a net loss of \$5,400,000 or \$0.05 loss per share on net revenues of \$59,703,000 against a net loss of \$24,323,000 or \$0.35 loss per share on net revenues of \$44,989,000 for the same period a year ago. According to Non-GAAP, the company reported a net loss of \$3,423,000 or \$0.03 loss per share against a net loss of \$1,112,000 or \$0.01 loss per share for the same period a year ago. For the fourth quarter ending June 28, 2008 the Company expects revenue in the range of \$58 million to \$63 million, Non-GAAP gross margin between 21% and 25% and adjusted EBITDA of negative \$3 million to positive \$1 million.

**February 21, 2008**

Bookham Inc. has hired Yves LeMaitre to fill the dual roles of vice president/global sales for its telecommunications division and vice president/corporate marketing. LeMaitre most recently was chief marketing officer at Avanex Corp.

**February 12, 2008**

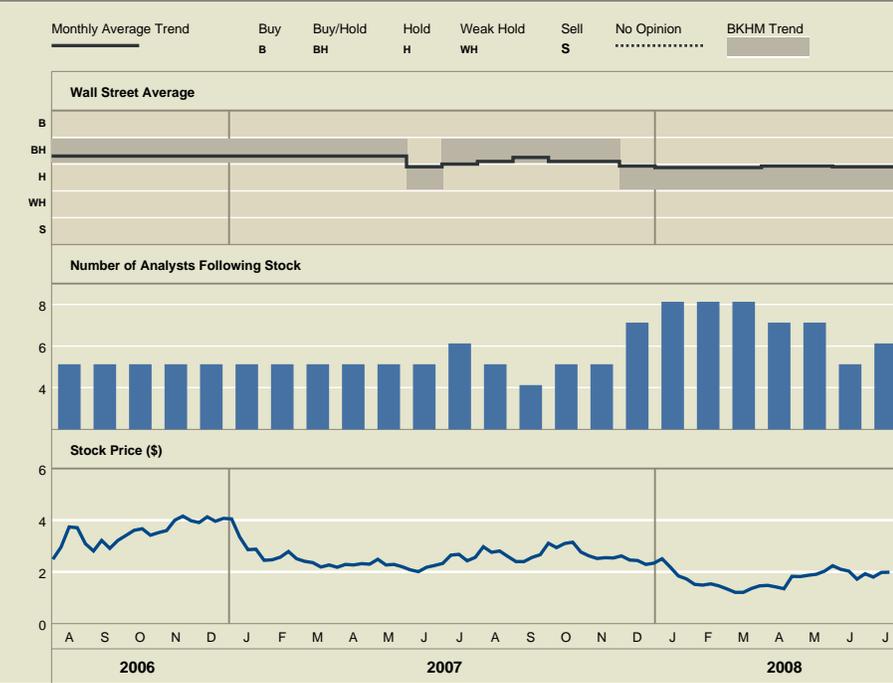
Bookham Inc. announced the appointment of 20-year telecommunications industry veteran Yves LeMaitre as vice president of global sales for Bookham's telecommunications division and vice president of corporate marketing. Mr. LeMaitre, who will be based in Bookham's headquarters in San Jose, will be responsible for leading the Company's telecom sales team and corporate communications group. Prior to joining Bookham, Mr. LeMaitre held several executive level positions with Avanex Corp., most recently serving as Chief Marketing Officer in charge of worldwide sales and marketing.

**January 24, 2008**

Bookham Inc. announced financial results for its second quarter ended

December 29, 2007. Revenue for the second quarter of fiscal 2008 was \$59.0 million, representing an increase of approximately 9% from \$54.3 million in the first quarter of fiscal 2008. Net loss declined to \$5.2 million, or a net loss of \$0.06 per share. This compares with a net loss of \$11.0 million, or a net loss of \$0.13 per share, in the prior quarter. Adjusted EBITDA for the second fiscal quarter was positive \$329,000, an improvement of approximately \$2.8 million compared with negative Adjusted EBITDA of \$2.5 million in the first fiscal quarter. Non-GAAP net loss improved to \$1.1 million, or a non-GAAP net loss of \$0.01 per share. This compares with a non-GAAP net loss of \$8.0 million, or \$0.10 per share in the first quarter. For the third quarter of fiscal 2008, ending March 29, 2008, excluding restructuring and other non-recurring charges, the Company expects: Revenue in the range of \$56 million to \$60 million, Adjusted EBITDA of negative \$3 million to positive \$1 million.

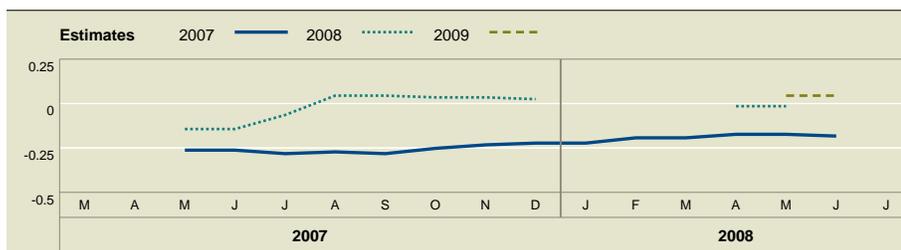
**Analysts' Recommendations**



Of the total 6 companies following BKHM, 6 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	1	17	0	0
Buy/Hold	2	33	2	3
Hold	3	50	3	4
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
<b>Total</b>	<b>6</b>	<b>100</b>	<b>5</b>	<b>7</b>

**Wall Street Consensus Estimates**



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2019	NA	NA	NA	0	NM
2010	0.05	0.05	0.05	1	39.8
<b>2019 vs. 2010</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>▼ -100%</b>	<b>NM</b>

**Wall Steet Consensus Opinion**

**BUY/HOLD**

**Companies Offering Coverage**

Deutsche Bank  
Merriman Curhan Ford & Co.  
Morgan, Keegan & Company, Inc.  
Needham & Co.  
Smith Barney  
Thomas Weisel Partners

**Wall Street Consensus vs. Performance**

For fiscal year 2010, analysts estimate that BKHM will earn \$0.05.

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

**Glossary**

**S&P Quality Ranking** - Growth and stability of earnings and dividends are deemed key elements in establishing S&P's quality ranking for common stocks, which are designed to capsule the nature of this record in a single symbol. It should be noted that, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Lower
A	High	B-	Below Average
A-	Above Average	C	Lowest
B+	Average	D	In Reorganization
NR	Not Ranked		

**S&P Fair Value Rank** - Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stock with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

**Funds From Operations (FFO)** - FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

**Fair Value Calculation** - The current price at which a stock should sell today as calculated by S&P's computers using our quantitative model based on the company's earnings, growth potential, return on equity relative to the S&P 500 and its industry group, price to book ratio history, current yield relative to the S&P 500, and other factors.

**Investability Quotient (IQ)** - The IQ is a measure of investment desirability. It serves as an indicator of potential medium-to-long-term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

**Standard & Poor's IQ Rationale: Bookham Inc**

	Raw Score	Max Value
Proprietary S&P Measures	0	115
Technical Indicators	5	40
Liquidity/Volatility Measures	16	20
Quantitative Measures	2	75
<b>IQ Total</b>	<b>23</b>	<b>250</b>

**Volatility** - Rates the volatility of the stock's price over the past year.

**Technical Evaluation** - In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

**Relative Strength Rank** - Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

**Global Industry Classification Standard (GICS)** - An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 67 Industries, and 147 Sub-Industries.

**Required Disclosures**

All of the views expressed in this research report reflect Standard & Poor's Quantitative Services' research models regarding the above issuer and securities. No part of Standard & Poor's Quantitative Services compensation was, is or will be directly or indirectly, related to the specific recommendations or views expressed in this research report.

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Additional information is available upon request.

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